

### **Important notice**

**THE OFFERING CIRCULAR ATTACHED HERETO IS AVAILABLE ONLY (1) IN THE UNITED STATES, TO QUALIFIED INSTITUTIONAL BUYERS (“QIBS”) AS DEFINED IN RULE 144A OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND (2) OUTSIDE THE UNITED STATES TO CERTAIN INSTITUTIONAL INVESTORS THAT ARE NOT U.S. PERSONS IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”).**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the Offering Circular following this page. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE PURCHASED OR SOLD HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE COMPANY TO WHICH THE OFFERING CIRCULAR FOLLOWING THIS PAGE REFERS HAS NOT AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940.**

**YOU ARE NOT AUTHORIZED TO AND YOU MAY NOT FORWARD OR DELIVER THE OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**CONFIRMATION OF YOUR REPRESENTATION:** In order to be able to view the Offering Circular following this page or make an investment decision with respect to the securities, investors must be (1) QIBs or (2) institutional investors that are not U.S. persons and are outside the United States (in accordance with Regulation S). The Offering Circular following this page is being sent at your request and, by reading the e-mail that delivers the Offering Circular and accessing it, you shall be deemed to have represented to us that (1) you and any customers you represent are (a) QIBs or (b) institutional investors who are not U.S. persons and outside the United States (in accordance with Regulation S) and that the e-mail address to which the Offering Circular has been delivered is not located in the United States of America, its territories, its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) and other areas subject to its jurisdiction, and (2) you consent to delivery of the Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Circular, electronically or otherwise, to any other person. If you receive the Offering Circular by e-mail, you should not reply by e-mail to this notice. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive the Offering Circular by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Offering Circular does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. No action has been or will be taken in any jurisdiction, by the Initial Purchasers, the Issuer or the Guarantor (all as defined in the Offering Circular following this page) that would or is intended to permit a public offering of the securities, or possession or distribution of a prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the securities in any country or jurisdiction where action for that purpose, or registration, is required. If a jurisdiction requires that the offering be made by a licensed broker, dealer or registered financial intermediary and any of the Initial Purchasers is a licensed broker, dealer or registered financial intermediary in that jurisdiction, any such offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer or the Guarantor in such jurisdiction.

The Offering Circular has been sent to you in an electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Initial Purchasers, the Issuer or the Guarantor and their respective affiliates, directors, officers, employees, representatives and agents or any other person controlling any of the Initial Purchasers, the Issuer or the Guarantor or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the Offering Circular distributed to you in electronic format and the hard-copy version.

**Enel Finance International N.V.**

(incorporated as a limited liability company under the laws of The Netherlands)

**US\$2,000,000,000 2.875% Notes due 2022**

**Issue price: 99.700%**

**US\$2,000,000,000 3.625% Notes due 2027**

**Issue price: 98.990%**

**US\$1,000,000,000 4.750% Notes due 2047**

**Issue price: 99.841%**

*Unconditionally and irrevocably guaranteed by*

**Enel-Società per Azioni**

Enel Finance International N.V. (the **Issuer** or **Enel N.V.**) is offering US\$2,000,000,000 2.875% Notes due 2022 (the **2022 Notes**), US\$2,000,000,000 3.625% Notes due 2027 (the **2027 Notes**), and US\$1,000,000,000 4.750% Notes due 2047 (the **2047 Notes** and, together with the 2022 Notes and the 2027 Notes, the **Notes**), with an unconditional and irrevocable guarantee (the **Guarantee**) as to payment of all amounts owing in respect of the Notes from Enel-Società per Azioni (the **Guarantor** or **Enel**), as further described in this offering circular (the **Offering Circular**) under “Terms and conditions of the Notes” (the **Conditions**).

The 2022 Notes will bear interest at a rate of 2.875% per annum. The 2027 Notes will bear interest at a rate of 3.625% per annum. The 2047 Notes will bear interest at a rate of 4.750% per annum. Each Note will bear interest from the date of original issuance payable semi-annually in arrears on May 25 and November 25 in each year commencing on November 25, 2017 (each an **Interest Payment Date**).

The Notes will be unsecured and will rank *pari passu* in right of payment with the Issuer’s other unsecured unsubordinated indebtedness. The Guarantee will be unsecured and unsubordinated and will rank at least equally in right of payment with Enel’s other unsecured unsubordinated indebtedness.

The Issuer may redeem the Notes at 100% of their nominal amount plus accrued interest if certain tax events as described in this Offering Circular occur. In addition, the Issuer may redeem the Notes in whole or in part at any time at the greater of 100% of the principal amount or a make-whole amount described herein, in each case plus accrued interest.

The Issuer has a right of substitution pursuant to Condition 15 (Substitution). The Notes will not be listed on any securities exchange or included in any automated quotation system.

**Investing in the Notes involves certain risks. See “Risk factors” beginning on page 13.**

The Notes and the Guarantee have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), or any securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act (**Regulation S**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Holders of the Notes will not have the benefit of any registration rights. The Notes will be offered and sold in offshore transactions outside the United States in reliance on Regulation S and within the United States to “qualified institutional buyers” (as defined in Rule 144A under the Securities Act (**Rule 144A**)) (**QIBs**), in transactions exempt from the registration requirements of the Securities Act. Prospective purchasers in the United States are hereby notified that the Issuer and the Guarantor may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Because the Notes have not been registered, they are subject to certain restrictions on resale described under “Subscription and sale.”

The Initial Purchasers (as defined herein) expect to deliver the Notes to purchasers in registered book-entry form through the facilities of The Depository Trust Company (**DTC**) and its participants (including Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream**)) on or about May 25, 2017. See “Book-entry—Clearance systems.”

*Joint Bookrunners*

**Barclays**

**BNP PARIBAS**

**BofA Merrill Lynch**

**Citigroup**

**Credit Suisse**

**Goldman Sachs & Co. LLC**

**HSBC**

**J.P. Morgan**

**Morgan Stanley**

**Société Générale  
Corporate & Investment Banking**

The date of this Offering Circular is May 22, 2017.

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## Notice to investors

Each of the Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of each of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Barclays Capital Inc., BNP Paribas Securities Corp., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, and Société Générale (the **Initial Purchasers**) as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Notes.

The only persons authorized to use this Offering Circular in connection with an offer of the Notes are the persons named in this Offering Circular as the Initial Purchasers.

No person is or has been authorized by the Issuer or the Guarantor to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer or the Guarantor or any of the Initial Purchasers.

Neither this Offering Circular nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Guarantor or any of the Initial Purchasers that any recipient of this Offering Circular should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Guarantor.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Initial Purchasers expressly do not undertake to update the financial condition or affairs of the Issuer or the Guarantor or to advise any investor in the Notes of any information coming to their attention.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor and the Initial Purchasers do not represent that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor or the Initial Purchasers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of the Notes. See "Subscription and sale."

**The Notes described herein have not been approved or disapproved by the U.S. Securities and Exchange Commission (the SEC) or any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is unlawful.**

This Offering Circular is being submitted on a confidential basis in the United States to QIBs for informational use solely in connection with the consideration of the purchase of the Notes being offered hereby. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act.

In connection with the offering of the Notes, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the issue.

Each initial and subsequent purchaser of Notes will be deemed, by its acceptance or purchase thereof, to have made certain acknowledgements, representations and agreements intended to restrict the resale or other transfer of such Note, as described in this Offering Circular, and, in connection therewith, may be required to provide confirmation of its compliance with such resale or other transfer restrictions in certain cases. See “Subscription and sale.”

### **Notice to investors in the United Kingdom**

The applicable provisions of the United Kingdom Financial Services and Markets Act 2000 (the **FSMA**) must be complied with in respect of anything done in relation to the Notes in, from or otherwise involving the United Kingdom. This Offering Circular is for distribution only to, and is only directed at, persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, (the **Financial Promotion Order**), (ii) are persons falling within Article 49(2)(a) to (d) (high net-worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom (all such persons together being referred to as “relevant persons”). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

### **Notice to investors in France**

This Offering Circular has not been prepared and is not being distributed in the context of a public offering of financial securities in France (*offre au public de titres financiers*) within the meaning of Article L.411-1 of the French Monetary and Financial Code and Title I of Book II of the *Règlement Général of the Autorité des marchés financiers* (the French Financial Markets Authority) (the **AMF**). Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and neither this Offering Circular nor any offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

The Notes may only be offered or sold in France to qualified investors (*investisseurs qualifiés*) acting for their own account and/or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), all as defined in and in accordance with Articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and applicable regulations thereunder.

Prospective investors are informed that:

- (i) this Offering Circular has not been and will not be submitted for clearance to the AMF;
- (ii) in compliance with Articles L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code, any qualified investors subscribing for the Notes should be acting for their own account; and
- (iii) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Monetary and Financial Code.

### Notice to investors in the Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (**CONSOB**) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Notes be distributed in the Republic of Italy, except, in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations:

- (i) to qualified investors (*investitori qualificati*), as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 119711**); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter*, first paragraph of Regulation No. 11971.

In any event, any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under paragraphs (i) or (ii) above and must be:

- a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (the **Banking Act**) (in each case, as amended from time to time); and
- b) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB and/or the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian competent authority.

#### *Provisions relating to the secondary market*

In accordance with Article 100-*bis* of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (i) or (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors. Furthermore, where the Notes are placed solely with professional investors and are then systematically resold on the secondary market at any time in the 12 months following such placement, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorized person at whose premises the Notes were purchased, unless an exemption provided for under the Financial Services Act applies.

### Notice to investors in Canada

The Notes may be sold only to purchasers, purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering of Notes.

### Notice to investors in Singapore

This Offering Circular has not been, and will not be, registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, must not be issued, circulated or distributed nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), (b) to a relevant person pursuant to section 275(1), or any person pursuant to section 275(1A), and in accordance with the conditions specified in sections 275, of the SFA; or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest in that trust shall not be transferred within six (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### Notice to investors in Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) (the **Companies (Winding Up and Miscellaneous Provisions) Ordinance**) or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the **Securities and Futures Ordinance**), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

### Notice to investors in Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the "FIEA") and have not been and will not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations, and ministerial guidelines of Japan. As used in this paragraph, "resident

of Japan” means a natural person having his/her place of domicile or residence in Japan, or a legal person having its main office in Japan. A branch, agency or other office in Japan of a non-resident, irrespective of whether it is legally authorized to represent its principal or not, shall be deemed to be a resident of Japan even if its main office is in any other country than Japan.

If an offeree does not fall under a “qualified institutional investor” (*tekikaku kikan toshika*), as defined in Article 10, Paragraph 1 of the Cabinet Office Ordinance Concerning Definition Provided in Article 2 of the Financial Instruments and Exchange Law (**Qualified Institutional Investor**), the Notes will be offered in Japan by a private placement to small number of investors (*shoninzu muke kanyu*), as provided under Article 23-13, Paragraph 4 of the FIEA, and, accordingly, the filing of a securities registration statement for a public offering pursuant to Article 4, Paragraph 1 of the FIEA has not been made. Such offeree or purchaser of the Notes is prohibited from transferring the Notes except in the case of a transfer of such Notes in whole to a single transferee. Further, any such transferee is also prohibited from transferring the Notes except in the case of a transfer of such Notes in whole to a single transferee. If an offeree falls under the Qualified Institutional Investor, the Notes will be offered in Japan by a private placement to the Qualified Institutional Investors (*tekikaku kikan toshokamuke kanyu*), as provided under Article 23-13, Paragraph 1 of the FIEA, and accordingly, the filing of a securities registration statement for a public offering pursuant to Article 4, Paragraph 1 of the FIEA has not been made. Such offeree who subscribes the Notes (the **QII Notes**) or purchaser of the QII Notes will be prohibited from transferring its QII Notes other than to another Qualified Institutional Investor. Furthermore, any such transferee of the QII Notes will also be prohibited from transferring its QII Notes other than to another Qualified Institutional Investor.

#### **Notice to investors in the Netherlands**

The Notes are and may not be offered in the Netherlands other than to persons or entities who or which are qualified investors (*gekwalficeerde beleggers*) (as defined in Section 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*)).

#### **Notice to Investors in the EEA**

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a Prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated by this Offering Circular may only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of the document, you should obtain independent professional advice. See “*Subscription and sale—Selling restrictions.*”

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IN CONNECTION WITH THE OFFERING OF THE NOTES, J.P. MORGAN SECURITIES LLC WITH RESPECT TO THE 2022 AND THE 2047 NOTES, AND SOCIÉTÉ GÉNÉRALE WITH RESPECT TO THE 2027 NOTES (OR PERSONS ACTING ON THEIR BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT EITHER J.P. MORGAN SECURITIES LLC OR SOCIÉTÉ GÉNÉRALE (OR PERSONS ACTING ON THEIR BEHALF) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE NOTES, OR NO LATER THAN 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES, WHICHEVER IS THE EARLIER. ANY STABILIZING ACTION OR OVER-ALLOTMENT OF THE NOTES MUST BE CONDUCTED BY J.P. MORGAN SECURITIES LLC WITH RESPECT TO THE 2022



AND THE 2047 NOTES, AND SOCIÉTÉ GÉNÉRALE WITH RESPECT TO THE 2027 NOTES (OR PERSONS ACTING ON THEIR BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

### **Service of process and enforcement of civil liabilities**

Enel and many of its subsidiaries are joint stock companies (*società per azioni* or S.p.A.) incorporated under the laws of Italy. All or a majority of the directors, officers and other executives of Enel are residents or citizens of Italy and are not residents or citizens of the United States. Furthermore, most of the assets of the Group are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon Enel or the persons mentioned above or to enforce judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws against them.

It may be possible for investors to effect service of process within Italy upon those persons or Enel or its subsidiaries provided that the requirements of the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 are complied with.

In general, final, enforceable and conclusive judgments rendered by U.S. courts, even if obtained by default, may not require retrial and will be enforceable in Italy, provided that pursuant to Article 64 of Italian Law No. 218 of May 31, 1995 (*Riforma del sistema Italiano di diritto internazionale privato*) the following conditions are met: (i) the U.S. court which rendered the final judgment had jurisdiction according to Italian law principles of jurisdiction; (ii) the relevant summons and complaint was appropriately served on the defendants in accordance with U.S. law and during the proceedings the essential rights of the defendants were not violated; (iii) the parties to the proceedings appeared before the court in accordance with U.S. law or, in the event of default by the defendants, the U.S. court declared such default in accordance with U.S. law; (iv) the judgment is final and not subject to any further appeal in accordance with U.S. law; (v) there is no conflicting final judgment previously rendered by an Italian court; (vi) there is no action pending in Italy among the same parties and arising from the same facts and circumstances which commenced prior to the action in the United States; and (vii) the provisions of such judgment would not violate Italian public policy.

In addition, if a separate action is brought before an Italian court, the Italian court may refuse to apply U.S. law or to grant some of the remedies sought (for example punitive damages) if their application violates Italian public policy and mandatory provisions of Italian law.

When it is necessary to proceed with the enforcement of the relevant judgement, any interested person may apply to the court of appeals of the place where the enforcement of such judgement is sought for a decision as to whether the conditions described above for the recognition of such foreign judgment are met. The U.S. judgment, jointly with the court decision granting the right to enforce such judgment, constitutes valid legal title to enforce the judgement, including by way of property seizure. Italian courts do not accept a copies of foreign judgements which are not certified and require the original copy of the judgement or a certified copy thereof. The judgement must be translated into Italian and the translation must be sworn.

In original actions brought before Italian courts, there is doubt as to the enforceability of liabilities or remedies based solely on the U.S. federal securities laws. In addition, in original actions brought before Italian courts, Italian courts may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply U.S. law provisions if the relevant application violates Italian public policy.

Enel N.V. is a limited liability company (*naamloze vennootschap*) incorporated under the laws of the Netherlands. All or substantially all of Enel N.V.'s directors and officers and certain other persons named in this Offering Circular reside outside the United States, and all or a significant portion of the assets of the directors and officers and such other persons, and substantially all of Enel's and the Enel Group's assets, are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon Enel N.V., the Enel Group or any of the aforesaid persons with respect to matters arising under the U.S. federal securities laws or to enforce against Enel N.V., the Enel Group or any such persons judgments obtained in U.S. courts, including judgments predicated upon civil liability under U.S. federal securities laws.

The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final and

conclusive judgment for the payment of money rendered by any federal or state court in the United States that is enforceable in the United States, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in the Netherlands. In order to obtain a judgment that is enforceable in the Netherlands, the party in whose favor a final and conclusive judgment of a U.S. court has been rendered will be required to file its claim with a court of competent jurisdiction in the Netherlands. Such party may submit the final judgment rendered by the U.S. court to the Dutch court. If and to the extent that such Dutch court finds that the jurisdiction of the U.S. court has been based on grounds that are internationally acceptable and that proper legal procedures have been observed, and if recognition and/or enforcement of the judgment is not irreconcilable with a decision of a Dutch court rendered between the same parties or with an earlier decision of a foreign court rendered between the same parties in a dispute that is about the same subject matter and that is based on the same cause, provided that earlier decision can be recognized in the Netherlands, the court of the Netherlands will, in principle, give binding effect to the judgment of the U.S. court, unless such judgment contravenes principles of public policy of the Netherlands. The enforcement in a Dutch court of judgments rendered by a U.S. court is subject to Dutch rules of civil procedure.

Subject to the foregoing and service of process in accordance with applicable treaties, investors may be able to enforce in the Netherlands judgments in civil and commercial matters obtained from U.S. federal or state courts. However, no assurance can be given that those judgments will be enforceable. In addition, it is doubtful whether a Dutch court would accept jurisdiction and impose civil liability in an original action commenced in the Netherlands and predicated solely upon U.S. federal securities law.

## Forward-looking statements

This Offering Circular contains forward-looking statements, including (without limitation) statements containing the words “anticipates,” “believes,” “estimates,” “expects,” “intends,” “may,” “plans,” “projects,” “will,” “would” and similar words. These statements are based on Enel’s current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding Enel’s strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. Enel does not undertake any obligation to publicly update or revise any forward-looking statements.

Furthermore, this Offering Circular contains certain statements and estimates regarding the Group’s competitive position in certain markets, including with respect to its preeminence in particular markets. Such statements are based on the best information available to the Group’s management as of the date hereof. However, the Group faces competitive risks and its market positions may diverge from those expressed herein as a result of a variety of factors. Any failure of the Group to execute upon its plans or maintain its market positions could have a material adverse effect upon the Group, its business prospects, its financial condition and its results of operations. See “Presentation of financial and other information—Market information” herein.

Enel may not actually achieve or realize the plans, intentions or expectations disclosed in its forward-looking statements and prospective investors should not place undue reliance on them. There can be no assurance that actual results of Enel’s activities and operations will not differ materially from the expectations set forth in such forward-looking statements. Factors that could cause actual results to differ from such expectations include, but are not limited to, those described under “Risk Factors,” including the following:

- the fact that Enel is burdened by significant indebtedness;
- the fact that Enel is vulnerable to any decrease in demand for electricity, including as a result of adverse macroeconomic developments and continuing stagnation in Italy and Spain;
- the fact that Enel faces risks relating to the process of energy market liberalization, which continues to unfold in many of the markets in which the Group operates; and
- the fact that Enel has a controlling shareholder, the Italian Ministry of the Economy and Finance, which may have interests different from those of other shareholders.

The above is not an exhaustive list of the factors that could cause actual results to differ materially from the expectations set forth in such forward-looking statements and should be read together with the other cautionary statements included in this Offering Circular, including those described under “Risk Factors,” beginning on page 11 of this Offering Circular.

## Documents incorporated by reference

The following information from Enel's periodic reports is, to the extent indicated in the table below, incorporated by reference in, and form part of, this Offering Circular, which should be read and construed in conjunction with such information:

Report	Information incorporated
Enel S.p.A. Three-Month Financial Report at March 31, 2017 (the <b>2017 Three-Months Report</b> )	<ul style="list-style-type: none"> <li>• Summary of results</li> <li>• Results by business area</li> <li>• Analysis of the Group's financial position</li> <li>• Analysis of the Group's financial structure</li> <li>• Significant Events in the 1<sup>st</sup> Quarter of 2017</li> <li>• Reference Scenario</li> </ul>
Enel S.p.A. Annual Report 2016 (the <b>2016 Annual Report</b> )	<ul style="list-style-type: none"> <li>• Summary of results</li> <li>• Overview of the Group's operations, performance and financial position</li> <li>• Results by business area</li> <li>• Significant Events in 2016</li> <li>• Reference Scenario</li> <li>• Related Parties</li> <li>• Report on Corporate Governance and Ownership Structure</li> </ul>
Enel S.p.A. Annual Report 2015 (the <b>2015 Annual Report</b> )	<ul style="list-style-type: none"> <li>• Summary of results</li> <li>• Overview of the Group's operations, performance and financial position</li> <li>• Results by business area</li> <li>• Significant Events in 2015</li> <li>• Reference Scenario</li> <li>• Related Parties</li> <li>• Report on Corporate Governance and Ownership Structure</li> </ul>

The following financial statements of the Group are included in, and form part of, this Offering Circular: (i) the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2016 (the **2016 Audited Consolidated Financial Statements**), (ii) the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2015 (the **2015 Audited Consolidated Financial Statements**), (iii) the audited consolidated financial statements and notes thereto as of and for the year ended December 31, 2014, except for the consolidated income statement, statement of consolidated comprehensive income, consolidated balance sheet, statement of changes in consolidated shareholders' equity and consolidated statement of cash flows as

of December 31, 2013 and for the year then ended as well as 2013-related figures included in the notes thereto and presented therein as comparatives and which are not included in, and do not form part of, this Offering Circular (the **2014 Audited Consolidated Financial Statements** and, together with the 2016 Audited Consolidated Financial Statements and the 2015 Audited Consolidated Financial Statements, the **Audited Consolidated Financial Statements**) and (iv) the unaudited condensed consolidated quarterly financial statements as of and for the three-month period ended March 31, 2017 which includes as comparatives the unaudited condensed consolidated income statement, statement of consolidated comprehensive income, statement of changes in consolidated shareholders' equity and condensed consolidated statement of cash flows for the three-month period ended March 31, 2016 (the **Unaudited Condensed Consolidated Quarterly Financial Statements**).

Copies of the reports containing information which is incorporated by reference in this Offering Circular are available on Enel's website ([www.enel.com](http://www.enel.com)) and may be obtained free of charge during normal business hours from the registered office of each of the Issuer and Enel and from the specified offices of the Paying Agent in London.

Each report containing information which is incorporated by reference herein is current only as of the date of such document, and the incorporation by reference of such document shall not create any implication that there has been no change in Enel's affairs since the date thereof or that the information contained therein is current as of any time subsequent to its date. Any statement contained in the sections of the reports incorporated by reference herein will be modified or superseded for all purposes to the extent that a statement contained in this Offering Circular modifies or is contrary to that previous statement. Any statement so modified or superseded will not be deemed a part of this Offering Circular except as so modified or superseded.

The 2017 Three-Months Report, the 2016 Annual Report and the 2015 Annual Report, other than the sections thereof specifically incorporated by reference in this Offering Circular, and the contents of Enel's internet website do not form part of this Offering Circular and should not be relied upon for purposes of forming an investment decision with respect to the Notes.

## **Presentation of financial and other information**

The Audited Consolidated Financial Statements have been prepared in accordance with IFRS as published by the International Accounting Standards Board and endorsed by the European Union and the Italian regulation implementing Article 9 of Legislative Decree No. 38/05, and were approved by the board of directors of Enel on March 16, 2017, March 22, 2016 and March 18, 2015, respectively. IFRS as endorsed by the European Union differs in certain important respects from generally accepted accounting principles in the United States. The Audited Consolidated Financial Statements have been audited by EY S.p.A. (formerly Reconta Ernst & Young S.p.A.) and a convenience translation into English of the auditors' reports thereon, dated April 11, 2017, April 13, 2016 and April 8, 2015, respectively, is included in this Offering Circular.

The Unaudited Condensed Consolidated Quarterly Financial Statements have been prepared applying the same accounting principles and measurement criteria as those used for the preparation of the Audited Consolidated Financial Statements and were approved by the board of directors of Enel on May 11, 2017. The Unaudited Condensed Consolidated Quarterly Financial Statements have been reviewed by EY S.p.A. and a convenience translation into English of their review report thereon, dated May 12, 2017, is included in this Offering Circular.

Interim results for the first three months of 2017 are not necessarily indicative of the results of operations that may be expected for any other interim period in 2017 or for the full year.

The Group recently reorganized its reporting segments beginning with the 2016 Annual Report, as further described below under "Change in reporting segments and comparability of financial information." As a result, the 2016 Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Quarterly Financial Statements present information based on different reportable segments compared to the 2015 Audited Consolidated Financial Statements.

In view of these changes, the Segment Information for 2015, including the 2015 Financial Results by Segment and the Financial Position by Segment at December 31, 2015, presented as comparatives in the 2016 Audited Consolidated Financial Statements and the Financial Results by Segment for the three months ended March 31, 2016 presented as comparatives in the Unaudited Condensed Consolidated Quarterly Financial Statements have been restated to ensure full comparability.

In addition to the above, as a result of further changes occurred in the Group's organization between 2014 and 2015, the Segment Information for 2014, including the 2014 Financial Results by Segment and the Financial Position by Segment at December 31, 2014, presented as comparatives in the 2015 Audited Consolidated Financial Statements has been also restated to ensure full comparability.

The consolidated income statement, statement of consolidated comprehensive income, consolidated balance sheet, statement of changes in consolidated shareholders' equity and consolidated statement of cash flows as of and for the year ended as of December 31, 2013 presented as comparatives in the 2014 Audited Consolidated Financial Statements, are not included nor incorporated by reference in, and do not form part of, this Offering Circular.

Capitalized terms used in the following discussion are defined under "—Certain defined terms" below.

In making an investment decision, investors must rely upon their own examination of the financial statements and financial information included elsewhere, or incorporated by reference, in this Offering Circular and should consult their professional advisors for an understanding of, among other things: (i) the differences between IFRS and other systems of generally accepted accounting principles, including U.S. GAAP, and how those differences might affect the financial information included in this Offering Circular; and (ii) the impact that future additions to, or amendments of, IFRS principles may have on the Group's results of operations and/or financial condition, as well as on the comparability of prior periods.

### **Change in reporting segments and comparability of financial information**

On April 8, 2016, the Enel Group adopted a new organizational structure for managing its businesses which modified the representation of the Enel Group's consolidated results subsequent to September 30, 2016. As a result, its financial reporting segments changed and such change is reflected in the 2016 Annual Report as well as in the 2015 Segment Information included therein which has been restated for comparative purposes. Similarly, the new

segments are reflected in the Unaudited Condensed Consolidated Quarterly Financial Statements, as well as in the Segment Information for the first quarter of 2016 included therein which has been restated for comparative purposes. Conversely, the 2015 Annual Report, including the financial information for the relevant comparative prior periods presented therein, is based on the prior reporting segments. The changes to the reporting segments are summarized below.

Under the structure adopted in 2016, management reportable segments are presented on the basis of six primary geographical segments: Italy; Iberia; Latin America; Europe and North Africa; North and Central America; and Sub-Saharan Africa and Asia.

In addition to the above, management also measures the financial performance of each reportable segment based on a secondary set of five business segments: Thermal Generation and Trading; Infrastructure and Networks; Renewables; End-user markets; and Services. Furthermore, certain reportable segments, notably Latin America, Europe and North Africa, North and Central America, and Sub-Saharan Africa and Asia, are further disaggregated by management in smaller regions or countries to better measure the financial performance of each area therein. In application of this criterion, the financial information for Latin America is presented separately for Argentina, Brazil, Chile, Colombia, and Peru; the financial information for Europe and North Africa is presented separately for Romania, Russia, Slovakia, and Other countries; the financial information for North and Central America is presented separately for United States and Canada, Mexico, Panama, and Other countries; and the financial information for Sub-Saharan Africa and Asia is presented separately for South Africa, India, and Other countries.

In the 2015 Annual Report, including the financial information for the comparative 2014 period presented therein, Enel reported five segments: Italy; Iberia; Latin America; Eastern Europe and Renewables. The latter included the results of the renewables business in each of the countries in which the Group operated such business, which were aggregated in four geographical areas: Europe and North Africa; Latin America; North America; and Sub-Saharan Africa and Asia. Consequently, in the 2015 Annual Report, the geographical segments Italy, Iberia and Latin America and Eastern Europe did not include the results of the renewables business operated in those countries or regions.

Therefore, the reportable segments Italy, Iberia and Latin America included in the 2016 Annual Report differ from the similarly named segments in the 2015 Annual Report because, from 2016, those segments include the results of the Renewables business in such countries or regions.

Furthermore, the secondary segment Renewables reported in the 2016 Annual Report does not correspond to the Renewables segment reported in the 2015 Annual Report, principally because the latter excluded certain portions of Enel's hydroelectric business which were included in the geographic segments Italy, Iberia, Latin America and Eastern Europe but which, from 2016, are included in the Renewables segment. See pages 39 and 40 of the 2016 Annual Report for a chart illustrating the changes in the reporting segments from 2015 to 2016.

In the 2014 Annual Report, Enel reported six segments: Sales; Generation and Energy Management (GEM); Infrastructures and Networks; Iberia and Latin America; International; and Renewable Energy. As a result of changes in the Group's organization, the reportable segments were changed in 2015 and, accordingly, the 2014 Segment Information presented in the 2015 Annual Report was restated to ensure full comparability. See pages 35 and 36 of the 2015 Annual Report for a chart illustrating the changes in the reporting segments from 2014 to 2015.

The Unaudited Condensed Consolidated Quarterly Financial Statements have been prepared on the same basis as the financial statements included in the 2016 Annual Report and therefore reflect the new segment reporting described above.

This change of reporting segments does not affect the consolidated financial position and results of operations of the Group, and therefore does not affect the comparability of the consolidated financial information for 2014, 2015 and 2016 presented under "Summary Financial Information".

### **Non-IFRS financial measures**

This Offering Circular contains certain non-IFRS financial measures, including the Group's "gross operating margin" and "ordinary gross operating margin," which is also referred to as the Group's "EBITDA," the Group's "ordinary operating income" and "ordinary net income", the Group's "Net Financial Debt", "Net short-term debt", "Net long-term debt", "Net Financial Debt of assets classified as held for sale", "Debt/Equity Ratio", "Capital

Expenditure”, “Net non-current assets,” “Net current assets,” “Net assets held for sale,” “Gross capital employed” and “Net capital employed”. These non-IFRS financial measures, including “gross operating margin” or “EBITDA,” and “Net Financial Debt,” are not recognized as accounting standards within the IFRS adopted by the European Union, and therefore must not be considered as (i) an alternative to operating income or net income as determined in accordance with IFRS; (ii) an alternative to cash flow from operating, investing or financing activities (as determined in accordance with IFRS) as a measure of the Group’s ability to meet cash needs; or (iii) an alternative to any other measure of performance under IFRS. Investors should not place undue reliance on these non-IFRS measures and should not consider either of these measures to be indicative of the Group’s historical operating results or financial condition; nor are they meant to be predictive of future results. Since companies generally do not calculate these measures in an identical manner, Enel’s measures may not be consistent with similar measures used by other companies.

We report below a description of certain non-IFRS financial measures used in this Offering Circular:

- *Net long-term debt*: a financial structure indicator, calculated as the sum of “Long-term bank borrowings”, “Bonds, net of short term portion”, and “Other long-term borrowings”; net of “Securities held to maturity”, “Securities available for sale”, “Financial investments in funds or portfolio management products measured at fair value through profit or loss” and “Other financial receivables” included in “Other non-current financial assets”.
- *Net short-term debt*: a financial structure indicator, calculated as the sum of “Short-term borrowings and the current portion of long-term borrowings”, comprising the “Short-term financial payables” included in “Other current liabilities”; net of “Cash and cash equivalents” and “Current portion of long-term financial receivables”, “Factoring receivables”, “Cash collateral” and “Other financial receivables” included in “Other current financial assets”.
- *Net Financial Debt of assets classified as held for sale*: a financial structure indicator calculated as “Net Financial Debt” associated with Assets classified as held for sale under international financial reporting standard IFRS 5.
- *Debt/Equity Ratio*: a financial ratio calculated as the ratio of Net Financial Debt to “Shareholders’ Equity”, where the latter includes both the “Equity attributable to the shareholders of the parent” and the “Non-controlling interests”.
- *Capital Expenditure*: calculated as the sum of investments during the period in “Property, plant and Equipment”, “Investment property” and “Intangible assets”.
- *Gross capital employed*: calculated as the sum of “Net non-current assets” and “Net current assets”.

For a description of the other non-IFRS financial measures used in this Offering Circular please refer to the subsection entitled “*Definition of performance indicators*” beginning on page 26 of the 2016 Annual Report.

## **Market information**

This Offering Circular contains statements related to, among other things, the following: (i) the size of the sectors and markets in which the Enel Group operates; (ii) growth trends in the sectors and markets in which Enel operates; and (iii) Enel’s relative competitive position in the sectors and markets in which it operates and the position of its competitors in those same sectors and markets.

Whether or not this is stated, where such information is presented, such information is based on third-party studies and surveys as well as Enel’s experience, market knowledge, accumulated data and investigation of market conditions. While Enel believes such information to be reliable and believes any estimates contained in such information to be reasonable, Enel cannot assure you that such information or any of the assumptions underlying such estimates are accurate or correct, and none of the internal surveys or information on which Enel has relied have been verified by any independent sources. Accordingly, undue reliance should not be placed on such information. In addition, information regarding the sectors and markets in which Enel operates is normally not available for certain periods and, accordingly, such information may not be current as of the date of this Offering Circular.



## Certain defined terms

In this Offering Circular:

- References to “Enel,” the “Company,” the “Guarantor” or the “Parent Company” are to Enel S.p.A., unless the context requires otherwise.
- References to the “Group” or “Enel Group” are to Enel and its subsidiaries, unless the context requires otherwise.
- References to “Endesa” are to Endesa S.A. together with its consolidated subsidiaries unless the context requires otherwise, in which case references to “Endesa” may be references to Endesa S.A. alone (as in references to Endesa’s “shares” or “share capital”).
- References to “Euro”, “euro”, or “€” are to the currency of the member states of the European Union participating in the third stage of the Economic and Monetary Union.
- References to “US\$”, “USD”, “U.S. dollar” refer to United States dollars.
- References to “IFRS” are to the International Financial Reporting Standards issued by the International Accounting Standards Board, including interpretations of the International Financial Reporting Interpretations Committee (IFRIC), previously referred to as the “Standing Interpretations Committee” (SIC), and, including also, International Accounting Standards (IAS) where the context requires, as endorsed by the European Commission for use in the European Union. IFRS as endorsed by the European Commission for use in the European Union differ in certain aspects from IFRS issued by the International Accounting Standards Board.
- References to the “Italian Unified Financial Act” are to Legislative Decree No. 58 of February 24, 1998, *“Testo unico delle disposizioni in materia di intermediazione finanziaria,”* as amended.

## Rounding

Certain numerical figures set out in this Offering Circular, including financial data presented in millions or thousands and certain percentages, have been subject to rounding adjustments and, as a result, the totals of the data in columns or rows of tables in this Offering Circular may vary slightly from the actual arithmetic totals of such information.

### **Available information**

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are “restricted securities” within the meaning of the Securities Act, each of the Issuer and the Guarantor has undertaken to furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer or the Guarantor, as the case may be, is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder. See also “General information—Documents available” and Condition 19 (Available information).

## Summary

*This summary highlights some information which is derived from the 2017 Three-Months Report, the 2016 Annual Report and the 2015 Annual Report, and in the Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Quarterly Financial Statements. This summary may not contain all of the information that is important to you.*

*You should read the following summary together with the more detailed information regarding Enel, the Issuer and the Notes being sold in this offering presented in this Offering Circular, including in the risks discussed in the section entitled “Risk Factors” and in the 2017 Three-Months Report, the 2016 Annual Report and the 2015 Annual Report, and the Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Quarterly Financial Statements.*

### Description of Enel and of the Enel Group

#### General introduction to the Enel Group

The Enel Group is the leading electricity operator in both Italy and Spain and one of the leading global operators in the generation, distribution and sale of electricity.

The Group had operational generation plants (thermal, hydroelectric, geothermal and other plants) with a total net efficient capacity of 82.7 GW as of March 31, 2017 and as of December 31, 2016. For the three-month period ended March 31, 2017, the Group's net production of electricity amounted to 63.3 TWh, and its distribution of electricity amounted to 109.1 TWh. For the year ended December 31, 2016, the Group's net production of electricity amounted to 261.8 TWh, while its distribution of electricity amounted to 426.0 TWh.

The following table sets forth key operating data for the Group as of and for the year ended 2016 and as of and for the three-month period ended March 31, 2017, in Italy and abroad.

	As of and for the year ended December 31, 2016			As of and for the three months ended March 31, 2017		
	Italy	Abroad	Total	Italy	Abroad	Total
Net electricity production (TWh) .....	60.9	200.9	<b>261.8</b>	14.2	49.1	<b>63.3</b>
Net efficient capacity (GW at period end).....	27.8	54.9	<b>82.7</b>	27.8	54.9	<b>82.7</b>
Electricity conveyed through the grid (TWh).....	223.5	202.5	<b>426.0</b>	55.9	53.2	<b>109.1</b>
Electricity sold (TWh) <sup>(1)</sup> .....	94.1	168.9	<b>263.0</b>	26.0	45.3	<b>71.3</b>
Number of end-users of the electric business (in millions at period end) .....	26.8	29.2	<b>56.0</b>	26.6	31.7	<b>57.8</b>

(1) Excluding sales to resellers.

The Group also imports and sells natural gas globally and, in particular, in Italy, Spain and certain South American and Eastern European countries. The Group sold approximately 4.2 billion cubic meters of gas worldwide in the three-month period ended March 31, 2017 and 10.6 billion cubic meters of gas worldwide in 2016.

In the first three months of 2017, the Group's total revenues were €19,366 million (compared to €17,872 million for the same period in 2016) and the net income attributable to shareholders of the Parent Company was €983 million (compared to €939 million for the same period in 2016). In 2016, the Group's total revenues were €70,592 million (compared to €75,658 million in 2015), and the net income attributable to shareholders of Enel was €2,570 million (compared to €2,196 million in 2015).

As of March 31, 2017, the Group employed a total of 63,518 persons, of which 32,004 were employed in Italy and 31,514 outside of Italy. Enel is incorporated under the laws of Italy as a joint stock company (*società per azioni*). Its registered office is at Viale Regina Margherita 137, in Rome, and its main telephone number is +39 06 83051. Enel is registered with the Italian Companies' Register of the Chamber of Commerce of Rome under registration No. 00811720580. Pursuant to Article 3 of its articles of association, Enel shall remain in existence until December 31, 2100; however, its corporate duration may be further extended by a shareholder resolution.

### ***Principal shareholders***

As of the date of this Offering Circular, the principal shareholder of Enel is the Ministry of Economy and Finance of the Republic of Italy (which initially was the sole shareholder of Enel) which holds a 23.585% direct stake in Enel's ordinary shares. As of the date of this Offering Circular, based on available information, no other shareholders— with the exception of the Ministry of Economy and Finance and Blackrock Inc. (which owns 5.05% of Enel's shares) holds more than 3% of the share capital of Enel.

As of the date of this Offering Circular, Enel's share capital amounts to a nominal value of €10,166,679,946, fully paid-in and divided into 10,166,679,946 issued and outstanding ordinary shares with a nominal value of €1 each. Enel's shares are listed on the *mercato telematico azionario*, a stock exchange regulated and managed by Borsa Italiana S.p.A.

### ***Recent developments***

On April 18, 2017, Enel announced that its subsidiary Enel Green Power North America, Inc. (**EGPNA**) has commenced construction of the Red Dirt wind plants in the United States, to be built in Kingfisher and Logan counties, in Oklahoma. The total investment in the construction of Red Dirt amounts to approximately US\$420 million. The plant, which is expected to enter service by the end of 2017, will have a total installed capacity of 300 MW and will be capable of generating approximately 1,200 GWh a year.

On April 27, 2017, Enel announced the entry into service of the Lindahl wind farm, the Enel Group's first plant in North Dakota. The total investment in the wind farm, which is owned by the joint venture EGPNA Renewable Energy Partners LLC, amounted to more than US\$220 million. Lindahl has an installed capacity of 150 MW and can generate approximately 625 GWh a year.

On May 9, 2017, Enel announced that its subsidiary EGPNA has begun construction in the United States of the Thunder Ranch wind farm, which will be built in Garfield, Kay and Noble counties, in Oklahoma. The total investment in the construction of Thunder Ranch will amount to approximately US\$435 million. The plant, which is expected to enter service by the end of 2017, will have a total installed capacity of 298 MW and will be capable of generating approximately 1,100 GWh a year.

### ***Debt maturity***

The tables below provides details regarding the Enel Group's long-term debt maturity profile and a break-down by instrument of amounts due within 12 months as of December 31, 2016.

€ million	Within 3 months	April – December 2017	2018	2019	2020	2021	After 2021	TOTAL
Bonds .....	225	3,221	5,572	4,311	2,351	1,614	18,553	35,847
Bank loans .....	115	634	1,123	1,019	918	710	3,676	8,195
Non-bank loans .....	59	130	178	150	165	138	858	1,678
<b>Total .....</b>	<b>399</b>	<b>3,985</b>	<b>6,873</b>	<b>5,480</b>	<b>3,434</b>	<b>2,462</b>	<b>23,087</b>	<b>45,720</b>

### ***Dividend policy***

In November 2016, the Group presented its dividend policy for the strategic plan 2016-2019, contemplating the payment of annual dividends equal to the higher of Euro 0.18 per share or 55% of the Group's net income for the year 2016, with the pay-out ratio expected to increase during the plan period to 65% in 2017, and 70% in 2018 and 2019. The new policy also provides for the payment of the annual dividend by way of an interim dividend scheduled in January of each year and a final dividend scheduled in July of each year. The actual level of dividends will be subject to the Group's earnings, cash balances, commitments, strategic plans and other factors that the Board of Directors may deem relevant at the time of the dividend.

For the 2016 fiscal year, the Board of Directors declared an annual dividend of €0.18 per share, €0.09 of which was paid as an interim dividend in January 2017. The 2016 dividend was approved at Enel's annual general meeting on 4 May 2017, and the remaining balance of €0.09 is expected to be paid in July 2017.

The Strategic Plan also provides for the introduction of a share buyback program of up to €2 billion which was approved at Enel's annual general meeting on May 4, 2017. The share buyback program may be undertaken if Enel does not carry out in the short term the acquisition of certain minority interests in Latin America.

### **Description of Enel Finance International N.V.**

#### ***General***

Enel Finance International N.V. (Enel N.V.) was incorporated (as Enel Trading Rus B.V.) as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid* or B.V.) under the laws of The Netherlands on September 26, 2008. It was converted into a limited liability company (*naamloze vennootschap* or N.V.) under the laws of The Netherlands on September 7, 2010. It was renamed Enel Finance International N.V. on October 4, 2010.

Enel N.V. is registered with the trade register of the Dutch chamber of commerce under number 34313428 and its telephone number is +31 20 5218 777. The business address of Enel N.V. is at Herengracht 471, 1017 BS Amsterdam, The Netherlands. Its corporate seat is at Amsterdam, The Netherlands.

Enel N.V. is fully and directly owned by Enel.

#### ***Corporate purpose***

Pursuant to the articles of association of Enel N.V. dated December 1, 2010, the objects of Enel N.V. include: (i) issuing, purchasing and selling notes and other securities, (ii) acquiring, holding and selling participations in other companies and businesses, (iii) financing such other companies and businesses, borrowing and lending funds, guaranteeing and providing security for third parties (including its group companies), (iv) providing management and administrative services to other companies and businesses, (v) acquiring, disposing of, holding, licensing and administering patents, trade names, licences, know-how and other intellectual property rights, and (vi) doing anything that is connected with or conducive to the foregoing.

#### ***Principal activities***

Enel N.V. operates as a financing company for the Group, raising funds through bond issuances, loans and other facilities and on-lending the funds so raised to the companies belonging to the Enel Group. Enel N.V. is also part of the centralizing financial flows process and acts as the primary reference for the management of financial needs or liquidity generated by the entities that operate outside of Italy and are part of the Enel Group.

#### ***Share capital***

The issued share capital of Enel N.V. amounts to €1,478,810,370 and is represented by 1,478,810,370 shares with a nominal value of €1 each, which are all held by Enel.

## Summary of the Offering

*This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of this Offering Circular as a whole. Words and expressions defined in “Terms and conditions of the Notes” in this Offering Circular shall have the same meanings in this summary. All references to a numbered “Condition” shall be to the appropriate Condition in “Terms and conditions of the Notes.” For a detailed description of the Notes, please refer to “Terms and conditions of the Notes.”*

<b>Issuer</b> .....	Enel Finance International N.V. ( <b>Enel N.V.</b> , or the <b>Issuer</b> ).  Enel N.V. is existing as a limited liability company ( <i>naamloze vennootschap</i> or <i>N.V.</i> ) under the laws of The Netherlands. Enel N.V. is registered with the trade register of the Dutch chamber of commerce under number 34313428. Enel N.V. operates as a financing company for the Group, raising funds through bond issuances, loans and other facilities.
<b>Guarantor</b> .....	Enel-Società per Azioni (the <b>Guarantor</b> or <b>Enel</b> ).
<b>Notes offered</b> .....	US\$2,000,000,000 2.875% Notes due 2022 (the <b>2022 Notes</b> ).  US\$2,000,000,000 3.625% Notes due 2027 (the <b>2027 Notes</b> ).  US\$1,000,000,000 4.750% Notes due 2047 (the <b>2047 Notes</b> ).
<b>Issue Price</b> .....	2022 Notes: 99.700% of the nominal amount plus accrued interest, if any, from May 25, 2017.  2027 Notes: 98.990% of the nominal amount plus accrued interest, if any, from May 25, 2017.  2047 Notes: 99.841% of the nominal amount plus accrued interest, if any, from May 25, 2017.
<b>Stated Maturity Date</b> .....	2022 Notes: May 25, 2022.  2027 Notes: May 25, 2027.  2047 Notes: May 25, 2047.
<b>Interest</b> .....	The 2022 Notes will bear interest at a rate of 2.875% per annum;  The 2027 Notes will bear interest at a rate of 3.625% per annum; and  The 2047 Notes will bear interest at a rate of 4.750% per annum;  in each case based upon a 360-day year consisting of twelve 30-day months.
<b>Interest Payment Dates</b> .....	Each Note will bear interest from the date of original issuance, and such interest will be payable semi-annually in arrear on May 25 and November 25 in each year commencing on November 25, 2017 (each an <b>Interest Payment Date</b> ).
<b>Form of Notes</b> .....	The Notes will be issued in registered form only.
<b>Currency</b> .....	U.S. dollars.
<b>Taxation</b> .....	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined herein), except as provided in Condition 8

(Taxation). In the event that any such deduction is made, the Issuer or the Guarantor, will, except in certain limited circumstances provided in Condition 8 (Taxation), be required to pay additional amounts to cover the amounts so deducted.

<b>Negative pledge .....</b>	The Notes contain a negative pledge provision described in Condition 4 (Negative Pledge).
<b>Further issuances .....</b>	The Issuer may, at its option and without the consent of the then existing Noteholders, issue additional notes in one or more transactions after the date of this Offering Circular with terms and conditions (other than the issuance date, the amount, date of the first interest payment thereon and the issue price) identical to the Notes. These additional Notes will be deemed to be part of the same Series as the relevant Notes offered hereby and will provide the holders of such additional Notes the right to vote together with holders of the Notes issued hereby.
<b>Status of the Notes .....</b>	The Notes will constitute direct, unconditional and (subject to the provisions of Condition 4 (Negative Pledge)) unsecured and unsubordinated obligations of the Issuer and will rank pari passu without any preference among themselves and at least equally with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, other than obligations, if any, that are mandatorily preferred by statute or by operation of law.
<b>Use of proceeds.....</b>	The Issuer expects to use the net proceeds from the issuance of the Notes for the general corporate purposes of the Group, including the repayment of existing indebtedness.
<b>Guarantee.....</b>	The Notes will be unconditionally and irrevocably guaranteed by Enel. The obligations of Enel under the Guarantee will be direct, unconditional and (subject to the provisions of Condition 4 (Negative Pledge)) unsecured and unsubordinated obligations of Enel and will rank at least equally with all other outstanding unsecured and unsubordinated obligations of Enel, present and future, other than obligations, if any, that are mandatorily preferred by statute or by operation of law.
<b>Ratings .....</b>	Enel's long-term debt is currently rated BBB (positive outlook) by Standard & Poor's, BBB+ (stable outlook) by Fitch and Baa2 (stable outlook) by Moody's Investors Service. The expected rating of the Notes on the issue date is BBB by Standard & Poor's, BBB+ by Fitch and Baa2 by Moody's Investors Service. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency. Neither the rating agency nor the Issuer is obligated to provide the holder with any notice of any suspension, change or withdrawal of any rating.
<b>Optional Redemption .....</b>	The Notes will be redeemable at the option of the Issuer at any time, in whole or in part, at a redemption price equal to the greater of (i) 100% of the nominal amount of the Notes to be redeemed plus accrued and unpaid interest, if any, to (but excluding) the date of redemption and all additional amounts, if any, then due or (ii) as determined by an Independent Investment Banker, the sum of the present values of the remaining scheduled payments thereon discounted to the date of redemption on a semi-annual basis (using

the same interest rate convention) at the Treasury Rate plus 0.200% for the 2022 Notes, 0.250% for the 2027 Notes, and 0.300% for the 2047 Notes, in each case plus accrued and unpaid interest, if any, to (but excluding) the date of redemption and any additional amounts.

**Tax Redemption**..... If certain changes in the law of any relevant taxing jurisdiction that would impose withholding taxes or other deductions on the payments in respect of the Notes become effective in the future, the Issuer may redeem, in whole but not in part, the Notes. Please see “Terms and conditions of the Notes—Redemption for tax reasons.”

**Form, Denomination and Title** ..... The Notes are in registered form and, in the case of definitive Notes, serially numbered, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

Subject to as set out in “Terms and conditions of the Notes,” title to the Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor, the Principal Paying Agent, the Registrar and any other agent appointed under the Agency Agreement will (except as otherwise required by law or ordered by a court having jurisdiction or an official authority) deem and treat the registered holder of any Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph. For so long as DTC or its nominee is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC.

**Substitution** ..... The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders, substitute for itself as principal debtor under the Notes any company (the Substitute) that is a Subsidiary of Enel. See Condition 15 (Substitution) under “Terms and conditions of the Notes.”

It is possible that the U.S. Internal Revenue Service may deem a transfer of the Issuer’s obligation under the Notes to cause an exchange for U.S. federal income tax purposes of Notes for new notes by the holders of the Notes, which could result in the recognition of taxable gain or loss for U.S. federal income tax purposes and possible other adverse tax consequences. See Condition 15 (Substitution).

**Transfer and selling restrictions**..... The Notes and the Guarantee have not been and will not be registered under the Securities Act or any securities laws of any state of the United States or any other jurisdiction. Consequently, the Notes may not be offered or sold within the United States, or to or for the benefit or account of a U.S. person, except pursuant to an



exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and in any case in accordance with any other applicable securities laws of any other jurisdiction. Holders of the Notes will not have the benefit of any registration rights. The Initial Purchasers will arrange for resale of the Notes only to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S.

The Issuer has not published a prospectus in relation to the Notes pursuant to Directive 2003/71/EC (as amended and, together with any applicable implementing measures in any European Economic Area Member State, the **Prospectus Directive**). Consequently, the Notes may not be offered or sold within the European Economic Area except pursuant to an exemption from the obligation to publish a prospectus provided in Article 3(2) of the Prospectus Directive, and in any case in accordance with any other applicable securities laws of any other jurisdiction.

In connection with the offering and sale of the Notes additional transfer and selling restriction will apply. See “Subscription and sale.”

<b>Governing law</b> .....	The Notes, the Guarantee and the Agency Agreement, and any non-contractual obligations arising out of or in connection therewith, will be governed by, and construed in accordance with, English law. The Purchase Agreement (as defined under “Subscription and sale”) is governed by, and shall be construed in accordance with, New York law.
<b>Principal Paying Agent</b> .....	The Bank of New York Mellon.
<b>Registrar</b> .....	The Bank of New York Mellon (Luxembourg) N.V.
<b>Listing</b> .....	The Issuer does not intend to list the Notes on any securities exchange.
<b>Security codes</b> .....	<b>2022 Notes</b>
	CUSIP: 144A - 29278GAB4
	Reg S - N30707AD0
	ISIN: 144A - US29278GAB41
	Reg S - USN30707AD06
	<b>2027 Notes</b>
	CUSIP: 144A - 29278GAA6
	Reg S - N30707AC2
	ISIN: 144A - US29278GAA67
	Reg S - USN30707AC23
	<b>2047 Notes</b>
	CUSIP: 144A - 29278GAC2
	Reg S - N30707AE8

ISIN: 144A - US29278GAC24

Reg S - USN30707AE88

**Risk factors**..... Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Circular and, in particular, you should evaluate the specific risk factors set forth under “Risk Factors” before making a decision whether to invest in the Notes.

## Summary financial information

*The following summary financial data must be read in conjunction with and are qualified in their entirety by reference to, (i) the 2017 Three-Months Report, (ii) the 2016 Annual Report, (iii) the 2015 Annual Report, (iv) the Audited Consolidated Financial Statements, and (v) the Unaudited Condensed Consolidated Quarterly Financial Statements.*

With the exception of certain non-IFRS financial measures discussed in “Presentation of financial and other information,” the Group’s financial information as of and for the years ended December 31, 2016, 2015 and 2014 and as of and for the three months ended, March 31, 2017 and March 31, 2016, included in the following tables has been derived from the Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Quarterly Financial Statements. Interim results for the first three months of 2017 are not necessarily indicative of the results of operations that may be expected for any other interim period in 2017 or for the full year.

### Income statement data

The following table sets forth summary consolidated income statement data of the Enel Group for the years ended December 31, 2016, 2015 and 2014, and for the three-month periods ended March 31, 2017 and 2016.

€ million	Year ended December 31,			Three-months ended March 31,	
	2016	2015	2014	2017	2016
Revenues.....	70,592	75,658	75,791	19,366	17,872
Costs .....	61,538	68,141	72,479	17,091	15,122
Net income from commodity contracts measured at fair value.....	(133)	168	(225)	250	(80)
<b>Operating income.....</b>	<b>8,921</b>	<b>7,685</b>	<b>3,087</b>	<b>2,525</b>	<b>2,670</b>
Financial income.....	4,173	4,018	3,326	569	1,592
Financial expense.....	7,160	6,474	6,456	1,233	2,444
Share of income/(expense) from equity investments accounted for using the equity method .....	(154)	52	(35)	39	35
<b>Income before taxes .....</b>	<b>5,780</b>	<b>5,281</b>	<b>(78)</b>	<b>1,900</b>	<b>1,853</b>
Income taxes .....	1,993	1,909	(850)	596	548
<b>Income from continuing operations .....</b>	<b>3,787</b>	<b>3,372</b>	<b>772</b>	<b>1,304</b>	<b>1,305</b>
<b>Income from discontinued operations .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income for the year/period .....</b>	<b>3,787</b>	<b>3,372</b>	<b>772</b>	<b>1,304</b>	<b>1,305</b>
- Attributable to minority interests....	1,217	1,176	255	983	366
- Attributable to the Shareholders of the Parent Company.....	2,570	2,196	517	321	939
<b>Earning per share (euro).....</b>	<b>0.26</b>	<b>0.23</b>	<b>0.05</b>	<b>0.10</b>	<b>0.09</b>

## Balance sheet data

The following table sets forth summary consolidated balance sheet data of the Enel Group as of December 31, 2016, 2015 and 2014, and as of March 31, 2017.

€ million	As of December 31,			As of March 31,
	2016	2015	2014	2017
Non-current assets .....	120,304	116,997	117,675	122,698
Current assets.....	35,281	37,328	42,181	31,511
Assets held for sale .....	11	6,854	6,778	6
<b>Total assets .....</b>	<b>155,596</b>	<b>161,179</b>	<b>166,634</b>	<b>154,215</b>
Equity attributable to the Shareholders of the Parent Company.....	34,803	32,376	31,506	35,931
Minority interests.....	17,772	19,375	19,639	17,969
<b>Total Shareholders' Equity .....</b>	<b>52,575</b>	<b>51,751</b>	<b>51,145</b>	<b>53,900</b>
Non-current liabilities.....	62,058	64,392	69,518	61,071
Current liabilities .....	40,963	39,672	40,681	39,244
Liabilities held for sale .....	-	5,364	5,290	-
<b>Total liabilities.....</b>	<b>103,021</b>	<b>109,428</b>	<b>115,489</b>	<b>100,315</b>
<b>Total liabilities and Shareholders' Equity.....</b>	<b>155,596</b>	<b>161,179</b>	<b>166,634</b>	<b>154,215</b>

## Statement of cash flow data

The following table sets forth summary consolidated cash-flow statement data of the Enel Group for the years ended December 31, 2016, 2015 and 2014, and for the three-month periods ended March 31, 2017 and 2016.

€ million	Year ended December 31,			Three-months ended March 31,	
	2016	2015	2014	2017	2016
Cash flow from operating activities....	9,847	9,572	10,058	1,740	1,567
Cash flow from (investing)/disinvesting activities .....	(8,087)	(6,421)	(6,137)	(1,967)	(1,301)
Cash flow from financing activities....	(4,474)	(5,382)	1,536	(2,449)	(4,768)
Impact of exchange rate fluctuations on cash and cash equivalents .....	250	(234)	(102)	(3)	36
<b>Increase/(Decrease) in cash and cash equivalents .....</b>	<b>(2,464)</b>	<b>(2,465)</b>	<b>5,355</b>	<b>(2,679)</b>	<b>(4,466)</b>

## Other financial information and indicators

The following table sets forth certain non-IFRS information used by Enel's management to monitor and evaluate the economic and financial performance of the Group. These indicators, "gross operating margin" or "EBITDA," and "Net Financial Debt," are not recognized as accounting standards within the IFRS issued by the IASB and adopted by the European Union, and therefore must not be considered as alternatives to any measures of performance under IFRS. Investors should not place undue reliance on these non-IFRS measures and should not consider either of these measures to be indicative of the Group's historical operating results or financial condition; nor are they meant to be predictive of future results. Since companies generally do not calculate these measures in an identical manner, Enel's measures may not be consistent with similar measures used by other companies. For this reason also, investors should not place undue reliance on non-IFRS financial measures.

€ million	As of and for the year ended December 31,			As of and for the three- months ended March 31,	
	2016	2015	2014	2017	2016
Gross operating margin (EBITDA) ....	15,276	15,297	15,757	3,914	4,017
Net financial debt.....	37,553	37,545	37,383	39,282	

The following tables present a reconciliation of gross operating margin (EBITDA) and Net Financial Debt to the most directly comparable IFRS measure.

### Gross operating margin (EBITDA)

€ million	Year ended December 31,			Three-months ended March 31,	
	2016	2015	2014	2017	2016
<b>Net income for the year/period .....</b>	3,787	3,372	772	1,304	1,305
Plus: Income Taxes.....	1,993	1,909	(850)	596	548
Minus: Share of income/(expense) from equity investments accounted for using the equity method .....	154	(52)	35	(39)	(35)
Minus: Financial income .....	(4,173)	(4,018)	(3,326)	(569)	(1,592)
Plus: Financial expense .....	7,160	6,474	6,456	1,233	2,444
Plus: Depreciation, amortization and impairment losses .....	6,355	7,612	12,670	1,389	1,347
<b>Gross operating margin (EBITDA) .....</b>	<b>15,276</b>	<b>15,297</b>	<b>15,757</b>	<b>3,914</b>	<b>4,017</b>

### Net financial debt

€ million	As of December 31,			As of March 31,
	2016	2015	2014	2017
Long-term debt .....	41,336	44,872	48,655	<b>40,315</b>
Long-term financial receivables and securities .....	(2,621)	(2,335)	(2,701)	<b>(2,708)</b>
<b>Net long-term debt.....</b>	<b>38,715</b>	<b>42,537</b>	<b>45,954</b>	<b>37,607</b>
Short-term debt .....	5,372	2,155	3,252	2,680
Short-term portion of long-term debt.....	4,384	5,733	5,125	7,324
Short-term financial payables .....	296	-	-	139
Short-term financial receivables .....	(2,924)	(2,241)	(3,860)	(2,866)
Cash and cash equivalents .....	(8,290)	(10,639)	(13,088)	(5,602)
<b>Net short-term debt .....</b>	<b>(1,162)</b>	<b>(4,992)</b>	<b>(8,571)</b>	<b>1,675</b>
<b>NET FINANCIAL DEBT.....</b>	<b>37,553</b>	<b>37,545</b>	<b>37,383</b>	<b>39,283</b>

## **Risk factors**

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfill its obligations under Notes. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*We believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them and which they may not currently be able to anticipate. In addition, if any of the following risks, or any other risk not currently known, actually occur, the trading price of the Notes could decline and holders of the Notes may lose all or part of their investment. Prospective investors should also read the information set out elsewhere in this Offering Circular and reach their own views, based upon their own judgment and upon advice from such financial, legal and tax advisers as they have deemed necessary, prior to making any investment decision.*

### **Risks related to the Enel Group**

***The Enel Group is burdened by significant indebtedness and it must generate sufficient cash flow to service its indebtedness.***

As of December 31, 2016, the Group's net financial debt was equal to €37,553 million, compared to €37,545 million as of December 31, 2015 and €37,383 million as of December 31, 2014. The Group's net financial debt is calculated in conformity with paragraph 127 of Recommendation CESR/05-054b implementing Regulation 2004/809/EC and in line with the CONSOB instructions of July 26, 2007, net of financial receivables and long-term securities.

As of December 31, 2016, the repayment schedules of the Group's long-term debt provided for the repayment of €4,384 million in the following 12 months, €6,873 million in 2018 and €5,480 million in 2019. The Group's short-term financial debt (including current maturities of long-term debt) showed a net creditor position and amounted to €1,162 million as of December 31, 2016. Any failure by the Group to make any of its scheduled debt repayments, or to reschedule such debt on favorable terms, would have a material adverse effect on the Group, its business prospects, its financial condition and its results of operations.

***The credit agreements and bond terms that the Enel Group has entered into contain restrictive covenants that limit its operations.***

The agreements relating to certain of the long-term financial indebtedness of the Group contain covenants that must be complied with by the borrowers (Enel and other companies of the Group) and, in certain instances, by Enel as guarantor. The failure to comply with any of them could constitute a default, which could have a material adverse effect upon the Group, its business prospects, its financial condition or its results of operation. In addition, covenants such as "negative pledge" clauses, "material change" clauses and covenants requiring the maintenance of particular financial ratios or credit ratings, constrain the Group's ability to acquire or dispose of assets or incur new debt.

***A significant portion of the Enel Group's indebtedness is subject to floating interest rates, thus subjecting the Group to the risk of adverse interest rate fluctuations.***

Market interest rate affects the Group's results mainly through possible increase in interest expenses due to floating rate indexed debt. As of December 31, 2016 33.1% of the Net Financial Debt of the Group was subject to variable interest rates. Any significant increase in interest rates could therefore lead to a material increase in the Group's debt service expenses, which would have a material adverse effect on the Group, its business prospects, its financial condition and its results of operations. The Group adopted risk management policies that provide for the hedging of interest rate risk exposure in line with limits and targets assigned by top management. Hedging activities typically entail the use of derivative instruments aiming at transforming floating rate liabilities into fixed rate liabilities. Nevertheless, the Group has not eliminated its exposures to interest rate risk and Enel cannot offer assurance that they will function as intended and to the extent the Group fails to adequately manage the risks inherent in interest rate volatility, its results of operations may be adversely impacted. In addition, it is possible that the hedging and derivative instruments used by the Group to establish a fixed rate for certain of its floating rate liabilities may lock

the Group into interest rates that are ultimately higher than actual market interest rates. Hedging activities could also entail significant costs.

***Enel's ability to access credit and bond markets on acceptable terms is in part dependent on its credit ratings, which have come under scrutiny due to its level of debt.***

Enel's long-term debt is currently rated "BBB" (positive outlook) by Standard & Poor's Credit Market Services Italy s.r.l. (**Standard & Poor's**), "BBB+" (stable outlook) by Fitch Ratings Ltd. (**Fitch**) and "Baa2" (stable outlook) by Moody's Investors Service Ltd. (**Moody's**). The expected rating of the Notes on the issue date is BBB by Standard & Poor's, BBB+ by Fitch and Baa2 by Moody's Investors Service. The credit ratings included or referred to in this Offering Circular will be treated for the purposes of Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the **CRA Regulation**) as having been issued by Standard & Poor's, Moody's and Fitch upon registration pursuant to the CRA Regulation. Standard & Poor's, Moody's and Fitch are established in the European Union and registered under the CRA Regulation. Each of Moody's, Standard & Poor's and Fitch is included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Each of these ratings is near the low-end of the respective rating agency's scale of investment-grade ratings. Enel's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend on the credit ratings assigned to Enel. In addition, any future downgrade of the sovereign credit rating of Italy and/or Spain or the perception that such a downgrade may occur may adversely affect the markets' perception of Enel's creditworthiness and have a negative impact on the Group's credit ratings. Any worsening of credit ratings could limit Enel's ability to access capital markets and other forms of financing (or refinancing), or increase the costs related thereto, with related adverse effects on Enel's and the Group's business prospects, financial condition and results of operations as well as its ability to implement the 2017-2019 Strategic Plan, which contemplates a significant amount of capital expenditure (see "Enel's ability to successfully execute its 2017-2019 Strategic Plan is not assured").

Certain credit agreements entered into by companies belonging to the Group, state that the overall pricing applicable to the loans thereunder may vary according to Enel's credit rating by Standard & Poor's or Moody's. Any downgrade could thus adversely affect the amount of interest payable by Enel. In addition, the ability to access the capital markets and other forms of financing and the associated costs are also dependent, amongst other things, on the rating assigned to the Group. Therefore, any downgrade of such ratings could limit Enel's access to the capital markets and could increase the cost of borrowing and/or of the refinancing of existing debt. Any downgrade could therefore adversely affect Enel's and the Group's business prospects, financial condition and results of operations.

***Enel's ability to successfully execute its 2017-2019 Strategic Plan is not assured.***

On November 22, 2016, Enel's Board of Directors announced the Group's 2017-2019 Strategic Plan, which contains the strategic guidelines and growth objectives of the Group for the relevant period, as well as some forecasts with regard to the Group's expected results of operations. The Strategic Plan contemplates, among other things, an investment program for the 2017-2019 period of €4.7 billion for the digitalization of Group assets, people and customers and a capital expenditure program for a total of €5.8 billion on network infrastructures and €5.2 billion for renewable capacity objectives to sustain the Group's plan for a total decarbonization of the generation mix by 2050. The Strategic Plan and the projections contained therein are based on a series of critical assumptions, including among others the evolution of demand and prices for electricity, gas, fuels and average investment costs for the plants in the markets in which the Group operates, trends in relevant macroeconomic variables, and the evolution of the regulatory frameworks applicable to the Group.

Achievement of the Strategic Plan objectives depends on both the timing of execution and the values realized from any disposal and/or acquisition. The strategic priorities set forth in the Strategic Plan also include an improvement of the operational efficiency and an acceleration of industrial growth. In the event that one or more of the Strategic Plan's underlying assumptions proves incorrect or events evolve differently than as contemplated in the Strategic Plan (including because of events affecting the Group that may not be foreseeable or quantifiable, in whole or in part, as of the date hereof) the anticipated events and results of operations indicated in the Strategic Plan (and in this Offering Circular) could differ from actual events and results of operations.

The Strategic Plan should not be unduly relied upon by an investor in making an investment decision with respect of the Notes. Furthermore, this Offering Circular contains certain statements and estimates regarding the Group's

competitive position in certain markets, including with respect to its pre-eminence in particular markets. Such statements are based on the best information available to the Group's management as of the date hereof. However, the Group faces competitive risks and its market positions may diverge from those expressed herein as a result of a variety of factors. Any failure by the Group to execute its Strategic Plan or maintain its market positions could have a material adverse effect upon the Group, its business prospects, its financial condition and its results of operations.

***Enel faces risks relating to political, social or economic instability in some of the countries where the Group operates.***

For the year ended December 31, 2016, the Group's EBITDA from markets outside of Italy represented 56.3% of the Group's total EBITDA. The Group's activities outside of Italy (in particular Russia and certain Latin American countries) are subject to a range of country-specific business risks, including changes to government policies or regulations in the countries in which it operates, changes in the commercial practice, the imposition of monetary and other restrictions on the movement of capital for foreign corporations, economic crises, state expropriation of assets, the absence, loss or non-renewal of favorable treaties or similar agreements with foreign tax authorities and, more generally, political, social and economic instability. Such countries may also be characterized by inadequate creditors' protection due to a lack of efficient bankruptcy procedures, investment restrictions and significant exchange rate volatility.

Systemic (*i.e.* not diversifiable) risks, referred to as "country risks", could have a material adverse effect on Enel's business returns and, in order to effectively monitor them, Enel regularly carries out a qualitative assessment process of the risks associated with each country where the Enel Group operates. In addition, Enel has developed a quantitative model using a shadow rating approach in order to support processes for rating strategic investments in the context of industrial planning and business development.

There can be no assurance that these policies cover all of the potential liabilities which may arise in connection with country risks. Therefore, the occurrence of an event not covered, or only partially covered, could have a material adverse effect upon the Group, its business prospects, financial condition and results of operations.

***Enel conducts its business in several different currencies and is exposed to exchange rate risks, particularly in relation to the rate of exchange between the Euro and the U.S. dollar.***

The Group is exposed to exchange rate risks in relation to cash flows connected to the purchase and/or sale of fuels and electricity on the international markets, cash flows related to investments or other financial income or expenses denominated in foreign currencies, such as dividends deriving from non-consolidated foreign subsidiaries, cash flows related to the purchase or sale of equity participations, and indebtedness in currencies different from those used in the countries where the Group has its principal operations. The Group has significant exposure to fluctuations of the Euro against the U.S. dollar and the currencies of the Latin American countries in which the Group is present, which have recently been subject to market volatility.

With reference to the transaction risk, which is the risk arising from the revaluation of assets and liabilities, the main source of risk for the Group is represented by debt denominated in foreign currencies. At December 31, 2016, 44% of the Group long-term debt was denominated in currencies other than euro. Furthermore, the percentage of debt not hedged against foreign exchange risk amounted to 18% at December 31, 2016. Any future significant variations in exchange rates affecting the currencies in which the Group operates and/or failure of the Group's related hedging strategy could materially and adversely affect Enel's and the Group's financial conditions and results of operations.

Revenues and costs denominated in foreign currencies may be significantly affected by exchange rate fluctuations, which may have an impact on commercial margins (*i.e.*, economic risk), and commercial and financing payables and receivables denominated in foreign currencies may be significantly affected by conversion rates used for profit and loss computation.

Furthermore, because the Group's consolidated financial statements are expressed in Euro, but the financial statements of several subsidiaries are expressed in other currencies, negative fluctuations in exchange rates could negatively affect the value of consolidated foreign subsidiaries' assets, income and equity, with a concomitant adverse effect on the Group's consolidated financial statements (*i.e.*, translation risk).

Exchange rate risk is managed in accordance with the Group financial risk management policies, which provide for the stabilization of the effects of fluctuations in exchange rates to avoid such risk. To this end, the Group has



developed operational processes that ensure the systematic coverage of exposures through appropriate hedging strategies, which typically involve the use of financial derivatives. However, hedging instruments may not be successful in protecting the Group effectively from adverse exchange rate movements.

***Risks related to the adverse financial and macroeconomic conditions within the Eurozone.***

Since 2013 the global economy has grown at a modest pace, curbed by the stagnation of economic activity in parts of Europe, as well as the slow-down of several emerging economies. In the Eurozone, the pace of economic recovery has lagged behind that of other advanced economies following the prior global recession, including as a result of the sovereign debt crisis that affected several European countries, including Italy and Spain. While economic growth has picked up in a few Eurozone countries over the past year, recovery remains relatively weak, particularly in Italy. Deflationary pressures, along with persisting weaknesses in the financial sector and in the job market, decreasing levels of savings among families, decreased consumer spending and reform fatigue weigh negatively on the outlook.

The economic recovery of the Eurozone may also be jeopardized by the current political instability affecting several countries, ranging from the UK's decision to leave the EU (as described in more detail below under "—The United Kingdom's decision to withdraw from the European Union may have a negative effect on global economic conditions, financial markets and our business"), to the possible exit from the European Union of more Member States and/or the replacement of the Euro by one or more successor currencies to which the foregoing could lead. These events could have a detrimental impact on the global economic recovery and the repayment of sovereign and non-sovereign debt in certain countries, as well as on the financial condition of European institutions, further increasing the volatility in the European financial markets.

There can be no assurance that the economy in Europe will not worsen, nor can there be any assurance that current or future assistance packages or measures granted to certain Eurozone countries will be available or, even if provided, will be sufficient to stabilize the affected countries and markets and secure the position of the Euro. These risks are especially significant in Italy and Spain, where a large proportion of the Group's European operations are concentrated. The economic downturn may also impact our customers and may result in their inability to pay the amounts owed to us. Continuation of further worsening of these difficult financial and macroeconomic conditions could have a material adverse effect upon the Group, its business prospects, its financial condition and its results of operations.

***The United Kingdom's decision to withdraw from the European Union may have a negative effect on global economic conditions, financial markets and our business.***

On March 29, 2017 the UK delivered to the European Council notice of its intention to withdraw from the EU, pursuant to Article 50 of the Treaty on the European Union. The delivery of such notice started a two-year period during which the UK shall negotiate with the EU the terms of its withdrawal and of its future relationship with the EU. If the parties fail to reach an agreement within this time frame, all EU treaties cease to apply to the UK, unless the European Council, in agreement with the UK, unanimously decides to extend this period. There are a number of uncertainties in connection with such negotiations, including their timing, and the future of the UK's relationship with the EU. In addition, the UK's decision to withdraw from the EU has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets, which could in turn depress economic activity and restrict our access to capital. Until the terms and timing of the UK's exit from the EU are clearer, it is not possible to determine the impact that the UK's departure from the EU and/or any related matters may have on the stability of the Eurozone or the European Union and, ultimately, on the business of the Group. As such, no assurance can be given that such matters would not adversely affect the Group, its business prospects, its financial condition and its results of operations.

***Enel is exposed to credit risk.***

The Group is exposed to credit risk deriving by commercial, commodity and financial operations. Credit risk is intended as the possibility that the Group's counterparties might not be able to discharge all or part of their

obligations due to an unexpected change in the creditworthiness that impacts the creditor position, in terms of insolvency or changes in its market value.

Beginning in the last few years, with the instability and uncertainty of the financial markets and the global economic crisis, average payment times for trade receivables by counterparties have increased.

In this frame, the Group's general policy calls for the application of criteria in all the main regions/countries/business lines for measuring credit exposures in order to promptly identify any deterioration in credit quality – determining any mitigation actions to implement – and to enable the monitoring and reporting of credit risk exposures at the Group level. Moreover, in most of the regions/countries/business lines the Group assesses in advance the creditworthiness of each counterparty with which it may establish its largest exposures on the basis of information supplied by independent providers and/or internal models.

In addition, for certain segments of its customer portfolio, the Group also enters into insurance contracts with leading credit insurance companies.

Notwithstanding such risk management policies and insurance, default by one or more significant counterparties of the Group may adversely affect the Group's results of operations and financial condition.

***The Group is subject to liquidity risk.***

Liquidity risk is the risk that the Group may not be able to meet its payment commitments, including those on the Notes, or otherwise it may be able to do so only on unfavorable conditions. This may materially and adversely affect the Group's results of operations and financial condition should the Group be obliged to incur extra costs to meet its financial commitments or, in the worst case scenario, threaten the Group's future as a going concern and lead to insolvency. The Group's approach to liquidity risk management is to maintain a level of liquidity which is adequate for the Group to meet its payment commitments over a specific period without resorting to additional sources of financing and to have a prudential liquidity buffer sufficient to meet unexpected cash outlays. In addition, in order to ensure the ability to meet its medium and long-term payment commitments, the Group pursues a strategy aimed at diversifying its funding sources and optimizing the maturity of its debt. However, these measures may not be sufficient to cover such risk. To the extent they are not, this may adversely affect the Group's results of operations and financial condition.

***If the Group is required to write down goodwill and other intangible assets, the Group's financial results would be negatively affected.***

The Group's balance sheet at December 31, 2016 included Euro 29.5 billion of goodwill and other intangible assets, or approximately 29% of the Group's total assets. Such goodwill and other intangible assets have arisen principally in connection with the Group's acquisition of Endesa as well as other businesses, principally in Latin America. Goodwill is not amortized, but tested for impairment at the reporting unit level. Intangible assets are generally impaired on a straight line basis over their useful life but are also tested for impairment at least annually. Goodwill is required to be tested for impairment annually and between annual tests if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. There are numerous risks that may cause the fair value of a reporting unit to fall below its carrying amount, which could lead to the measurement and recognition of goodwill impairment. These risks include, but are not limited to, adverse changes in legal factors or the business climate, an adverse action or assessment by a regulator, the loss of key personnel, a more-likely-than-not expectation that all or a significant portion of a reporting unit may be disposed of, failure to realize anticipated synergies from acquisitions, a sustained decline in market capitalization, significant negative variances between actual and expected financial results, and lowered expectations of future financial results. Should the Group be required to write down its goodwill and other intangible assets following an impairment test, the Group's results of operations in the relevant period may be materially and adversely affected.

***Enel is subject to a large variety of litigation and regulatory proceedings and cannot offer assurances regarding the outcomes of any particular proceedings.***

In the ordinary course of its business, the Group is subject to numerous civil and administrative proceedings, as well as criminal (including in connection with environmental violations, manslaughter and omission of accident prevention measures) and arbitral proceedings. Enel made provisions in its consolidated financial statements for

contingent liabilities related to particular proceedings in accordance with the advice of internal and external legal counsel. Such provisions amounted to €734 million as of December 31, 2016.

Notwithstanding the foregoing, the Group has not recorded provisions in respect of all of the proceedings to which it is subject. In particular, it has not recorded provisions in cases in which it is not possible to quantify any negative outcome and in cases in which it currently believes that negative outcomes are not likely. There can be no assurance, therefore, that the Group will not be ordered to pay an amount of damages with respect to a given matter for which it has not recorded an equivalent provision, or any provision at all. For further information, see the Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Quarterly Financial Statements included in this Offering Circular.

In addition, although the Group maintains internal monitoring systems (including an internal control model pursuant to Italian Legislative Decree No. 231 of June 8, 2001), it may be unable to detect or prevent certain crimes including, *inter alia*, bribery, corruption, environmental violations, manslaughter, violations of rules regarding health and safety in the workplace committed by its directors, officers, employees or agents, which could lead to civil, criminal and administrative liability for the Group (including in the form of pecuniary sanctions and operational bans), as well as reputational damages.

### ***Risk associated to environmental and residents' opposition***

Sustainability is an integral part of Enel Group's corporate strategy and the Enel Group seeks to conduct operations across a broad range of jurisdictions and environments while safeguarding the expectations of institutions, clients, local communities, employees, technical and operating counterparties with different histories and cultures. Nonetheless, local residents and/or associations may oppose and dispute the realization of power plants operated and/or under construction by companies belonging to the Group. The claims against the development of these projects are varied and may include environmental and noise pollution, the loss of residential property value or the related expropriation risk, additional costs to be borne by the local residents, the impact on people living on site or the disfigurement of the surrounding landscape. The occurrence of protests and oppositions, either during the planning activity or during the construction phase, may result in disruptions and long delays. These circumstances may affect the agreed timeline for the works completion and involve significant cost overruns. Moreover, widespread or prolonged protests may also cause adverse publicity and reputational harm to the Group.

### **Risks related to the energy industry and markets**

***The Group is subject to different regulatory regimes in the various countries in which it operates. These regulatory regimes are complex and their changes could potentially affect the financial results of the Group.***

The Group is subject to the laws of various countries and jurisdictions, including Italy, Spain and the EU, as well as the regulations of particular regulatory agencies, including, in Italy, the *Autorità per l'Energia Elettrica, il Gas e il Sistema Idrico* (the **Authority**) and, in Spain, the *Comisión Nacional de los Mercados y la Competencia (CNMC)*. These laws and regulations may change and we may become subject to new legislation or regulatory requirements that could have a material effect on our business, results of operations and financial condition.

Sectorial regulation affects many aspects of the Group's business and, in many respects, determines the manner in which the Group conducts its business and sets the fees it charges or obtains for its products and services. For further details on the legislative and regulatory context in which the Group operates, see also the subsection entitled “— *Regulatory and rate issues*” under “*Reference Scenario*” in the 2016 Annual Report. Changes in applicable legislation and regulation, whether at a national or European level, and the manner in which they are interpreted, could negatively impact the Group's current and future operations, its cost and revenue-earning capabilities and in general the development of its business.

Future changes in the directives, laws and regulations issued by the EU, the Italian Republic, Spain, the Authority, CNMC, or governments or authorities in the other countries and/or markets in which the Group operates could materially and adversely affect Enel's and the Group's business prospects, financial condition and results of operations.

***Risks related to the issuance and revocation of permits, concessions and administrative authorizations for the development, construction and operation of plants.***

The development, construction and operation of electric power production plants is subject to complex administrative procedures, which requires the procurement of numerous permits from both national and local relevant authorities.

Procedures for obtaining authorizations vary by country and requests may be rejected by the relevant authorities for various reasons or approved with delays which may be significant. The process of obtaining permits can be further delayed or hindered by changes in national or other legislation or regulation or by opposition from communities in the areas affected by a project.

Any failure or delay to obtain permits, concessions and/or necessary authorizations with regard to plants being built, and any revocation, cancellation or non-renewal of permits and/or authorizations in relation to existing plants, and objections by third parties to the issuance of these permits, concessions and authorization may lead the Group to modify or reduce its development objectives in certain areas or technologies, and may have material adverse effects on the Group's business, financial condition and results of operations.

***Risks related to the costs of building plants.***

The development and construction of power plants requires very significant investments that are recovered through the income generated over a long-term time span that varies by plant. The investments to develop and build a plant vary, in part, according to the costs of civil works construction and connection with the transmission grid and the cost of equipment and other materials which may be subject to shortages. A significant increase in such development and construction costs may have an adverse effect on the Group's business, financial condition and results of operations.

***The Group is vulnerable to any decrease in demand for electricity, including as a result of the continuation of the slow economic recovery.***

The environment in which the Group currently operates is marked by the weakness of macroeconomic conditions worldwide, including low levels of consumption and industrial production.

Electricity and gas consumption are strongly affected by the level of economic activity in a given country. According to Terna, the Italian transmission system operator, electricity demand in Italy is far from recovering, since it decreased by 2.1% during 2016 in comparison to 2015. In Spain, excluding the Islands, the demand for electricity increased by 0,7% during 2016 in comparison to 2015.

The crises of the last years in the banking system and financial markets, together with other factors, have resulted in economic recessions in many of the countries where the Group operates, such as Italy, Spain, Russia, other countries in the EU and the United States. If these economies fail to recover for a significant period of time, or worsen, energy consumption may decrease or continue to decrease in such markets, and this could result in a material adverse effect on the business prospects, results of operations and financial condition of Enel and the Group.

***The Group faces risks relating to the process of energy market liberalization, which continues to unfold in many of the markets in which the Group operates. The Group may face new competition in the markets in which it operates, also due to the evolution of the energy sector.***

The energy markets in which the Group operates are undergoing a process of gradual liberalization, which is being implemented through different approaches and on different timetables in the various countries in which the Group operates. As a result of the process of liberalization, new competitors have entered and may in the future continue to enter many of the Group's markets. It cannot be excluded that the process of liberalization in the markets in which the Group operates might continue in the future and, therefore, the Group's ability to develop its businesses and improve its financial results may be affected by such new competition. In particular, competition in Italy is increasing particularly in the electricity business, in which Enel competes with other producers and traders within

Italy and from outside of Italy who sell electricity in the Italian market to industrial, commercial and residential clients. This could have an impact on the prices paid or received in Enel's electricity production and trading activities. The Group may moreover be unable to offset the financial effects of decreases in production and sales of electricity through efficiency improvements, or expansion into new business areas or markets. Moreover, since the energy market is in continuous evolution, the Group may also face risks related to the technological progress in the sector, such as: (i) the entry in the market of new production processes and innovative products, aimed at replacing the traditional technologies; (ii) the relationship between the costs of technologies and their components; and (iii) a more stringent regulatory framework demanding that market operators adopt technologies necessary to comply with the applicable laws. Furthermore, as a result of such rapid evolution of the energy sector, new entrants seeking to gain market share by introducing new technology and new products could create increased pricing pressure, reduced profit margins, increased sales and marketing expenses or the loss of market share, any of which may significantly affect our operating results and financial condition.

Although the Group has sought to face the challenge of liberalization and market evolution by increasing its presence and client base in free (non-regulated) areas of the energy markets in which it competes and by focusing on technological progress and research of technology innovation of strategic importance, it may not be successful in doing so.

***The Group faces significant costs associated with environmental laws and regulation and may be exposed to significant environmental liabilities.***

The Group's businesses are subject to extensive environmental regulation on a national, European, and international scale. Applicable environmental regulations address, among other things, carbon dioxide (**CO<sub>2</sub>**) emissions, water pollution, the disposal of substances deriving from energy production (including as a result of the decommissioning of nuclear plants), and atmospheric contaminants such as sulphur dioxide (**SO<sub>2</sub>**), nitrogen oxides (**NO<sub>x</sub>**) and particulate matter, among other things.

The Group incurs significant costs to keep its plants and businesses in compliance with the requirements imposed by various environmental and related laws and regulations. Such regulations require the Group to adopt preventive or remedial measures and influence the Group's business decisions and strategy. Failure to comply with environmental requirements in the countries where the Group operates may lead to fines, litigation, loss of licenses, permits and authorizations in general, and temporary or permanent curtailment of operations. New pieces of related legislation have been recently enacted in Italy. For example, Law No. 68/2015 has introduced a number of new criminal offences related to environmental liabilities (so called "*ecoreati*") – in particular the environmental pollution, environmental damage, trade and dereliction of radioactive material, criminal conspiracy aiming to carry out an environmental crime ("*ecoreato*" - art. 452-*octies* of the Italian Criminal Code) – implying new potential sources of liability and, therefore, additional potential expenses, for companies subject to the environmental regulation such as entities belonging to the Group.

In light of the current public focus on environmental matters, it is not possible to exclude the possibility that more rigorous environmental rules may be introduced at the Italian, Spanish or European level or that more rigorous measures may be introduced in other countries where the Group operates, which could increase costs or cause the Group to face environmental liabilities. Such environmental liabilities could increase costs, including clean-up costs, for the Group. Enel is not able to foresee the nature or the potential effects of future regulations on its results of operations. Due to tariff regulations in Italy and other countries in which the Group operates, the Group is largely unable to offset increases in costs incurred for environmental protection with price increases of its own. As a result, new environmental regulation could have a material adverse effect on the Group's business prospects, results of operations and financial condition.

Legislation and other regulation concerning CO<sub>2</sub> emissions is one of the key factors affecting the Group's operations, and is also one of the greatest challenges the Group faces in safeguarding the environment. With respect to the control of CO<sub>2</sub> emissions, EU legislation governing the CO<sub>2</sub> emissions trading scheme imposes costs for the electricity industry, which could rise substantially in the future. In this context, the instability of the emission allowance market accentuates the difficulties of managing and monitoring the situation. The Group monitors the development and implementation on EU and Italian legislation, diversifies its generation mix towards the use of low-carbon technologies and resources with a focus on renewables and nuclear power, develops strategies to acquire

allowances at competitive prices and enhances the environmental performances of its generation plants, increasing their energy efficiency. However, these measures and strategies undertaken by the Group to mitigate risks associated with CO2 regulation and to reduce its CO2 emissions may be ineffective or insufficient, which could have a material adverse effect on the business prospects, results of operations and the financial condition of Enel and the Group.

The Group is also subject to numerous EU, international, national, regional and local laws and regulations regarding the impact of its operations on the health and safety of employees, contractors, communities and properties. Breaches of health and safety laws expose the Group's employees to criminal and civil liability and the Group to the risk of liabilities associated with compensation for health or safety damage, as well as damage to its reputation.

***The Group relies on time-limited government concessions in order to conduct many of its business activities.***

Group companies are concession-holders in Italy for the management of the Group's electricity distribution networks and hydroelectric power stations. The Group's hydroelectric power stations in Italy are managed under administrative concessions that are set to expire in 2029.

Endesa's hydroelectric power stations in Spain also operate under administrative concessions, which are set to expire at different dates from 2019 to 2067.

Any of the Group's concessions, including concessions not specifically described above, may not be renewed after they expire or may be renewed on economic terms that are more burdensome for the Group. In either case, the Group could experience material and adverse effects upon its business prospects, results of operations and financial condition.

***The Group faces risks relating to interruptions in service at its facilities.***

The Group is continuously exposed to the risk of malfunctions and/or interruptions in service resulting from events outside of the Group's control, including accidents, natural disasters (including earthquakes, severe storms and major unfavorable weather conditions) defects or failures in machinery or control systems or components of them. It is also subject to the risk of casualties or other similar extraordinary events. Any such events could result in economic losses, cost increases, or the necessity to revise the Group's investment plans. Additionally, service interruptions or malfunctions—or casualties or other significant events—could result in the Group being exposed to litigation, which could generate obligations to pay damages. Although the Group has insurance coverage, such coverage may prove insufficient to fully offset the cost of paying such damages. Therefore, the occurrence of one of more of the events described above, or other similar events, could have a material adverse effect on the business prospects, results of operations and financial condition of Enel and the Group.

***The Group faces risks related to the potential liabilities resulting from energy production through nuclear power plants.***

The Group is in the business of nuclear power generation as a result of the Group's interests in Endesa and the ongoing decommissioning activities related to Slovenské elektrárne (SE) (for further information on the disposal of the equity interest held, through ENEL Produzione S.p.A. in SE, see page 96 of the 2016 Annual Report).

Although Enel believes that Endesa's nuclear power plants use technologies that are internationally recognized and that it is managed according to international standards, ownership and operation of nuclear power plants nonetheless exposes the Group to a series of inherent risks, including those relating to the manipulation, treatment, disposal and storage of radioactive substances and the potential adverse effects thereof on the environment and human health.

Under the applicable international treaties ratified by Spain, the Group may incur liabilities of up to €1,200 million for any nuclear damages caused during the storage, transformation, management, use or transportation of nuclear substances, regardless of the existence of willful misconduct or negligence.

Any nuclear accident or other harmful incident (including resulting from terrorist attacks) could have a material adverse effect on the business prospects, results of operations and financial condition of Enel and the Group.

Potential risks also arise in relation to the decommissioning of nuclear power plants. The Slovakian government has established a fund to finance the present and future costs associated with the decommissioning of nuclear reactors. The deficit of this fund has not been officially quantified, and the Group could potentially face future costs relating to decommissioning works at Bohunice or Mochovce, in addition to the amounts that it is already required to contribute to the aforementioned fund (equal to €13,428.26 per installed MW, per year, plus 5.95% of the revenues derived from SE's nuclear generation plants).

On July 8, 2015, the Slovakian government approved a new strategy for dealing with the “back-end” of spent nuclear fuel. Under the new policy, the start of operation of the permanent storage facility for such waste has been postponed from 2037 to 2065.

Last year, the Group – supported by independent experts – had already begun a study to review all the variables that impact the estimate of charges for Slovakian nuclear decommissioning. The Group concluded the above mentioned study and estimated a provision that as at December 31, 2016 was approximately €550 million.

***The Group is exposed to the risk related to the fluctuations of fuel, other commodities and electricity prices, or disruptions in their supply.***

In the ordinary course of business, the Group is exposed to the risk of increases in the costs of fuel or other commodities, or disruptions in their supply. It is also exposed to the risk of decreases in the prices obtained for its electricity in the countries where it operates.

The Group adopted risk management policies that provide for the hedging of price risk exposure in line with limits and targets assigned by top management. Hedging activities typically entail the use of derivative instruments aiming at reducing the exposures. Nevertheless, the Group has not eliminated its exposures to these risks and significant variations in fuel, raw material or electricity prices, or any relevant interruption in supplies, could have a material adverse effect on the business prospects, results of operations and financial condition of Enel and the Group. Moreover, the hedging strategies pursued by the Group may create new risks and exposures and Enel cannot offer assurance that they will function as intended. In addition, because hedging contracts for the price of electricity and/or fuels are available in the market only for limited durations, any hedging effect will not protect against prolonged price movements.

Consequently, significant variations in fuels, commodities or electricity prices, or any relevant interruption in supplies could have a material adverse effect on the business prospects, results of operations and financial condition of the Group.

***The Group is exposed to a number of different tax uncertainties, which could have an impact on its tax expenses.***

The Group is required to pay taxes in multiple jurisdictions. The Group determines the taxes it is required to pay based on its interpretation of the applicable tax laws and regulations in the jurisdictions in which it operates. The Group may be subject to unfavourable changes in the tax laws and regulations to which it is subject, or in their interpretation by the competent tax authorities. The financial position of the Group and its ability to service the obligations under its indebtedness, including the Notes, may be adversely affected by new tax laws or changes in the interpretation of existing tax laws.

***The Group faces risks relating to the variability of weather and seasonality.***

Electricity and natural gas consumption levels change significantly as a result of climatic changes. Changes in the weather can produce significant differences in energy demand and the Group's sales mix. The turnover and performance of the Group could be impacted, albeit slightly, by changes in weather conditions: more specifically, in warmer periods of the year, gas sales decline, while during periods in which factories are closed for holidays, electricity sales decline. In addition, weather changes (for example, low wind or rain levels) affect the Group's production from certain renewable resources. In particular, Enel's electric power generation involves hydroelectric generation and, accordingly, Enel is dependent upon hydrological conditions prevailing from time to time in the geographic regions where the relevant hydroelectric generation facilities are located. Hydroelectric generation performance is particularly high during the winter and early spring given the more favourable seasonable weather

conditions. If hydrological conditions result in droughts or other conditions that negatively affect Enel's hydroelectric generation business, Enel's results of operations could be materially adversely affected.

Furthermore, adverse weather conditions can affect the regular delivery of energy due to network damage and the consequent service disruption. Significant changes of such nature could adversely affect the business prospects, results of operations and financial condition of Enel and the Group.

***Enel's controlling shareholder, the Italian Ministry of the Economy and Finance (the MEF), has significant influence over Enel's actions.***

As of the date of this Offering Circular, Enel is controlled by the MEF – pursuant to Article 2359, first paragraph, no. 2) of the Italian Civil Code, as recalled by Article 93 of the Italian Unified Financial Act – which holds a 23.585% direct stake in Enel's ordinary shares.

As long as the MEF remains Enel's principal shareholder, it can exercise significant influence in matters requiring shareholder approval. More importantly, the MEF's vote, when exercised, has been to date decisive in appointing the majority of the directors of Enel, in accordance with the slate-based voting mechanism set forth in Article 14 of Enel's articles of association. As a result, other shareholders' ability to influence decisions on matters submitted to a vote of Enel's shareholders may be limited. However, the MEF is not involved in managing and coordinating Enel, and Enel makes its management decisions on a fully independent basis in accordance with the structure of duties and responsibilities assigned to its corporate bodies.

**Risks relating to the Notes**

***There may not be any trading market for the Notes; factors other than our creditworthiness may affect the trading market for and value of the Notes.***

The Notes will not be listed on any securities exchange or included in any automated quotation system. We cannot assure you that a trading market for the Notes will develop or be maintained in the United States, Europe or elsewhere. Pricing information for the Notes may be difficult to obtain, which may make them less liquid than other investments. If you decide to sell the Notes, there may be a limited number of buyers (if any) or there may be a surplus of debt securities of other issuers available with similar credit, maturity and other structural characteristics. The trading market for, and current market value of, the Notes may be affected by the level, direction and volatility of market interest rates. These and other factors unrelated to Enel's creditworthiness may affect the price you receive for the Notes or your ability to sell them at all. You should not purchase the Notes unless you understand and know you can bear the related investment risks.

***The Notes and the Guarantee do not contain financial covenants, change in control provisions or similar credit protection features.***

The Conditions of the Notes and the Guarantee do not contain any covenants or other provisions designed to protect Noteholders against a reduction in the creditworthiness of the Issuer or the Guarantor or that would prohibit the Group from increasing its indebtedness or prohibit Enel or its affiliates from engaging in other transactions that might adversely affect Noteholders, including transactions involving a change in control or a business combination, acquisition or disposition of assets.

***The Notes may be redeemed prior to maturity at their principal amount plus accrued interest in the case of certain tax events.***

In the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of the Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any taxing jurisdiction of the Issuer or Guarantor or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. See Condition 7(b) (Redemption for tax reasons). Holders of Notes that are redeemed under this provision may not be able to reinvest the proceeds thereof in an investment yielding the same or higher return.



***The Notes are subject to optional redemption by the Issuer.***

The Issuer may redeem the Notes in whole or in part at any time at a redemption price equal to the nominal value of the Notes plus the applicable premium pursuant to Condition 7(c) (Redemption at the option of the Issuer). Holders of Notes that are redeemed under this provision may not be able to reinvest the proceeds thereof in an investment yielding the same or higher return.

***Modification, waivers***

The Conditions and the Agency Agreement contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. Noteholders in the required majorities may, among other things, amend the date of maturity of the Notes, amend interest payment dates, reduce or cancel the amount of principal or the rate of interest payable on the Notes, waive event of default, alter the currency of payment of the Notes, sanction restructuring plans, settlements, compromises or arrangement with the Issuer and/or the Guarantor and alter the quorum and majorities for adopting the said resolutions.

***Substitution of the Issuer***

The Conditions provide that Enel N.V. may, at any time, without the consent of the Noteholders, substitute for itself as principal debtor under the Notes either Enel as Issuer or any of Enel's Subsidiaries, in the circumstances described in Condition 15 (Substitution).

In this case, Enel or, as the case may be, the relevant Subsidiary, failing which, Enel shall indemnify the Noteholders against any adverse tax consequences of such substitution, as described in Conditions 15(a)(i) (Substitution of the Issuer by the Guarantor) and (b)(i) (Substitution of the Issuer by another Subsidiary), except that neither Enel nor the relevant Subsidiary shall be liable under such indemnity to pay any additional amounts either on account of "imposta sostitutiva" or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information. It is possible that the U.S. Internal Revenue Service may deem a transfer of the Issuer's obligation under the Notes to cause an exchange for U.S. federal income tax purposes of Notes for new notes by the holders of the Notes, which could result in the recognition of taxable gain or loss for U.S. federal income tax purposes and possible other adverse tax consequences. See also "Certain tax considerations—United States federal Income taxation—Sale, exchange, retirement, or other taxable disposition of Notes."

***Taxation***

The tax regime in Italy, in The Netherlands and in any other relevant jurisdiction (including, without limitation, the jurisdiction in which each Noteholder is resident for tax purposes) may be relevant to the acquiring, holding and disposing of Notes and the receiving of payments of interest, principal and/or other income under the Notes. Prospective investors in the Notes should consult their own tax advisers as to which countries' tax laws could be relevant and the consequences of such actions under the tax laws of those countries.

***Change of law***

The Conditions are governed by English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

***The secondary market generally***

The Notes will have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Notes.

### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes and, if relevant, the Guarantor will make any payments under the Guarantee in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the Investor's Currency) other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the investor's currency-equivalent yield on the Notes, (2) the investor's currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### ***Interest rate risks***

The Notes will bear interest at a fixed rate, which involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

### ***Credit ratings may not reflect all risks***

The expected rating of the Notes on the issue date is BBB by Standard & Poor's, BBB+ by Fitch and Baa2 by Moody's Investors Service. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Notwithstanding the above, any adverse change in an applicable credit rating could adversely affect the trading price for the Notes.

### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

## Exchange rates

The following table sets forth, for the periods indicated, high, low, average and period-end daily reference exchange rates published by the European Central Bank (ECB), expressed in U.S. dollar per Euro. The rates may differ from the actual rates used in the preparation of Enel's consolidated financial statements and other financial information. Enel makes no representation that the Euro or U.S. dollar amounts referred to in this Offering Circular have been, could have been or could, in the future, be converted to euros or U.S. dollars, as the case may be, at any particular rate, or at all. On May 19, 2017, the ECB daily reference exchange rate for the euros against the U.S. dollar was Euro 1.00 = U.S. dollar 1.1179.

(USD per Euro 1.00)	High	Low	Period Average (1)	Period End
<b>Year</b>				
2012 .....	1.3454	1.2089	1.2848	1.3194
2013 .....	1.3814	1.2768	1.3281	1.3791
2014 .....	1.3953	1.2141	1.3285	1.2141
2015 .....	1.2141	1.0552	1.1099	1.0887
2016 .....	1.1569	1.0364	1.1068	1.0541
<b>Month</b>				
January 2017 .....	1.0385	1.0755	1.0614	1.0755
February 2017 .....	1.0808	1.0513	1.0648	1.0597
March 2017 .....	1.0889	1.0514	1.0681	1.0691
April 2017 .....	1.0930	1.0578	1.0721	1.0930
May (through May 19, 2017) .....	1.1179	1.0860	1.0973	1.1179

- (1) The period average for the years 2012 to 2017 represents the average exchange rates on the last business day of each month during the relevant period, and with respect to monthly information, the average exchange rates on each business day for the relevant period.

### **Use of proceeds**

We estimate that the net proceeds from the sale of the Notes will be approximately US\$4,947 million, after deducting underwriting discounts and commissions. Enel expects that such net proceeds will be used for general corporate purposes, including the repayment of existing indebtedness. See “Capitalization”.

## Capitalization

The following table sets forth the Group's capitalization as of March 31, 2017 on (a) an actual basis; and (b) an adjusted basis to give effect to the issuance of the Notes and the expected use of the estimated net proceeds therefrom.

This table should be read in conjunction with "Risk Factors," "Use of Proceeds," "Summary—Summary financial information" and "Presentation of financial and other information," as well as the Audited Consolidated Financial Statements and Unaudited Condensed Consolidated Quarterly Financial Statements and accompanying notes thereto included in this Offering Circular.

	<b>As of March 31, 2017</b>	<b>As of March 31, 2017 (as adjusted)</b>
	<i>(€ million)</i>	
<b>Cash and Cash Equivalents</b> .....	<b>5,602</b>	<b>10,005<sup>(1)</sup></b>
<b>Financial Indebtedness:</b>		
Short-Term Financial Indebtedness (including current portion of long term debt) .....	10,004	10,004
Long-Term Financial Indebtedness (excluding current portion of long term debt) .....	40,315	40,315
Notes offered hereby .....	-	4,403 <sup>(1)</sup>
<b>Total Financial Indebtedness</b> .....	<b>50,319</b>	<b>54,722</b>
<b>Shareholders' Equity:</b>		
Share capital .....	10,167	10,167
Paid-in capital .....	7,489	7,489
Legal reserve .....	2,034	2,034
Other reserves .....	2,262	2,262
Retained earnings .....	13,979	13,979
Total equity attributable to shareholders of the Parent .....	35,931	35,931
Equity attributable to minority interests .....	17,969	17,969
<b>Total Shareholders' Equity</b> .....	<b>53,900</b>	<b>53,900</b>
<b>TOTAL CAPITALIZATION<sup>(2)</sup></b> .....	<b>104,219</b>	<b>108,622</b>

(1) Based on net proceeds of US\$ 4,947 million, after deducting underwriting discounts and commissions, and an exchange rate of 1.1237 US\$ per €1.0.

(2) Sum of Total Financial Indebtedness and Total Shareholders' Equity.

## Management

### Board of Directors

As of the date of this Offering Circular, Enel's Board of Directors is composed of nine members, appointed by the Enel annual general meeting on 4 May 2017. The term of office of each director is 3 years.

The names of the members of the Board of Directors are set forth in the following table.

Name	Position	Place and Date of Birth
Maria Patrizia Grieco	Chairman	Milan, 1952
Francesco Starace	Chief Executive Officer	Rome, 1955
Alfredo Antoniozzi	Director	Cosenza, 1956
Alberto Bianchi	Director	Pistoia, 1954
Cesare Calari	Director	Bologna, 1954
Paola Girdinio	Director	Genova, 1956
Alberto Pera	Director	Albisola Superiore (Savona), 1949
Anna Chiara Svelto	Director	Milan, 1968
Angelo Taraborrelli	Director	Guardiagrele (Chieti), 1948

The business address of the Board of Directors' members is Enel's registered office (being Enel — Società per Azioni, Viale Regina Margherita 137, 00198 Rome, Italy).

The management competence and experience of each director is briefly summarised below:

#### ***Maria Patrizia Grieco***

Maria Patrizia Grieco has been the Chairman of the board of directors of Enel since May 2014. After graduating in law at the University of Milan, she started her career in 1977 at Italtel, where in 1994 she became chief of the Legal and General Affairs directorate. In 1999, she was appointed General Manager to re-organize and reposition the company, and in 2002 she became Chief Executive Officer. Subsequently, she held the positions of Chief Executive Officer of Siemens Informatica, Partner of Value Partners and Chief Executive Officer of the Group Value Team (today NTT Data). From 2008 to 2013, she was Chief Executive Officer of Olivetti, where she also held the role of Chairman from 2011. She has been a director of Fiat Industrial and she is currently on the boards of Anima Holding, Ferrari and Amplifon, CIR, Bocconi University and the Italian Foundation MAXXI - National Museum of XXI Century Arts. Mrs. Grieco is also a member of the steering committee of Assonime.

#### ***Francesco Starace***

Francesco Starace was appointed Group Chief Executive in May 2014. Mr. Starace joined Enel in 2000, holding several executive positions including Head of Business Power (from July 2002 to October 2005) and Managing Director of the Market Division (from November 2005 to September 2008). Between 2008 and 2014, he was Chief Executive Officer of Enel Green Power, the Group's renewable power generation subsidiary and a leading player in the global renewables industry. In November 2010, Mr. Starace led the Initial Public Offering (IPO) of the business, floating it on the Milan and Madrid stock exchanges with a market capitalization of €8 billion. Mr. Starace began his career in construction management of power generation plants, first at General Electric Group and then at ABB Group and subsequently Alstom Power Corporation, where he was appointed Head of worldwide gas turbines sales. Mr. Starace's international experience includes periods spent living in the United States, Saudi Arabia, Egypt and Bulgaria. In May 2015, he was appointed to the Board of Directors of the United Nations Global Compact. Since June 2014, he has also been a member of the Advisory Board of the United Nations Sustainable Energy 4 All initiative. In January 2016 he was appointed co-Chair of the World Economic Forum's Energy Utilities and Energy Technologies Community. In October 2016, he was appointed co-chair of the B20 Climate & Resource Efficiency Task Force. He graduated with a degree in Nuclear Engineering from the Milan Polytechnic. He is married with two sons, is a keen cyclist and a supporter of A.S. Roma football club, and is passionate about poetry.

### ***Alfredo Antoniozzi***

Born in 1956 in Cosenza, he graduated in law at the University “La Sapienza” of Rome in 1980 and then achieved a specialization in labor law, practicing his activity in a law firm. From 1981 to 1990 he was City Councilman at the Municipality of Rome, taking on the office as Counsellor for the Educational Politics; later, he held the office of Counsellor for General Affairs appointed to the Institutional and International Relations of Rome. From 1990 to 2004 he was Region Councilman at the Lazio Region, where he assumed the office as Counsellor for Transport. Furthermore, from 2008 to 2012 he held the office as Counsellor for Heritage and Special Projects at the Municipality of Rome. From 2004 to 2014 he was Member of the European Parliament, where he was a member of the Justice Commission, Legal Commission and Constitutional Affairs Commission. During the same period he also took part in the Delegations for European relationships with the United States of America and the Arabic Peninsula and Central America, as well as he took part in the Delegation at Parliamentary Committee on relationships between EU-Mexico. Member of the Board of Directors of Enel since May 2015.

### ***Alberto Bianchi***

He was born in Pistoia in 1954, after the graduation in law and becoming a lawyer, he started to practice the profession of lawyer in 1986 in administrative, commercial, corporate and bankruptcy fields. In this field, initially he has carried out its activity in the law firm of the Professor Alberto Predieri (from 1983 to 2001); to the death of the owner (August 2001), he founded the law firm Bianchi and Associates, with main office in Florence and subsidiaries offices in Rome and Milan. From 2001 to 2007 he was liquidator of EFIM (body of loan for the manufacturing industries); after the suppression of the abovementioned body, he has been appointed (in July 2007) by the Minister of Economy and Finance as commissioner “ad acta” for the compulsory winding up of the companies managed by Ligresta (companies of the Fintecna Group), office that he practices as of today. He was also member of the liquidator board of Finanziaria Ernesto Breda (from 1994 to 2001), director of Rai New Media, chairman of Firenze Fiera (from 2002 to 2006) and of Dada.(internet company listed in the Stock exchange of Milan from 2011 to 2013).Currently he is chairman of the board of directors of “Edizioni di Storia e Letteratura”, as well as director and accounting auditor of several associations and foundations. From March 2016 he is member of the Steering Committee at Cassa di Risparmio Foundation in Florence. Member of the Board of Directors of Enel from May 2014.

### ***Cesare Calari***

Born in Bologna in 1954, in 1977 he graduated in law at the University of Bologna and in 1979 he earned a master of arts at the School of Advanced International Studies of Johns Hopkins University (Washington DC). After a short period spent working at the Bank of Italy (1980-1981), in 1981 he joined the World Bank Group, where from 1982 to 2001 he held positions of increasing responsibility within the International Finance Corporation, an affiliate of the World Bank Group whose aim is to support the private sector in developing countries. Among the positions held within the International Finance Corporation, it's worth to mention that of Head of the Sub-Saharan Africa department (from 1997 to 2000) and that of Head of the global financial markets group (from 2000 to 2001). From 2001 to 2006 he was Vice President of the World Bank, responsible for the Bank's operations and strategies in the financial sector, for its work on international financial architecture and for anti-money laundering; during this period, he was also member of the Financial Stability Forum and Chairman of CGAP (Consultative Group to Assist the Poor), a trust fund for the promotion of microfinance. Since October 2006 he has been partner and managing director of Encourage Capital (formerly Wolfensohn Fund Management), a U.S. company managing private equity investments with high social and environmental impact, and member of the investment committee of Wolfensohn Capital Partners, a private equity fund specialized in emerging markets. Covering such roles, he has gained a wide managerial and strategic experience in the financial services sector, as well as a broad knowledge of corporate and project finance and issues related to corporate governance and regulation of the financial sector worldwide. He has been member of the boards of directors of companies operating in different businesses, such as the Czech Zivnostenska Banka (from 1992 to 1995), the Chilean Moneda Asset Management (from 2001 to 2005), the Italian Assicurazioni Generali (from 2010 to 2013) and Terna (from 2014 to 2017), the Polish International Bank in Poland (from 1991 to 1994) and Meritum Bank (from 2011 to 2013), the Turkish Global Ports Holding (from 2013 to 2016) and the Hungarian Nomura Magyar (from 1991 to 1994). In addition, he has lectured as an adjunct professor of International Finance at Johns Hopkins University, SAIS, in Washington.

### ***Paola Girdinio***

She graduated in physics science at the University of Genova, in which she was at the beginning researcher (from 1983 to 1987) then she became, first, associate professor (from 1987 to 2000) and then full professor (from 2000 as of today) of electro technology in the engineering department. At the same University of Genova she has been also headmaster of the faculty of electrical engineering (from 2001 to 2007), member of the executive board of the centre of the permanent training (from 2006 to 2008), chief of the department of electrical engineering (from 2007 to 2008), headmaster of the faculty of engineering (from 2008 to 2012) and member of the board of directors of the University (from 2012 to 2016). She is the author of several scientific publications on national and international magazines, in which she specialized in electromagnetic events and the related industrial compatibility. Member of the board of director of Ansaldo STS (from 2011 to 2014), and of Ansaldo Energia (from 2014 to 2016), of the “Distretto ligure delle tecnologie marine” (from 2010 to 2016), now she is in charge of the same office at Banca Carige (from 2016) and at the company D’Appolonia of the Rina Group (from 2011). She has been also a member of the regency board of Genova of the Bank of Italy (from 2011 to 2016) and she is currently president of the scientific committee for the project “smart city” made by Comune di Genova (from 2011), and member of the scientific committee of Eurispes (from 2013). From 2015 she is the chairman of the National Observatory for the Cyber Security, Resilience and Business Continuity of Electric Systems to which belong certain of the most important national companies operating in this field. She is member of Enel's Board of Directors since May 2014.

### ***Alberto Pera***

He was born in Albisola Superiore (Savona) in 1949, he is graduated in economics at the University “La Sapienza” of Rome and in law at the University of Macerata, he became lawyer and he earned the master's degree of science in economics at the London School of Economics. After a period as a researcher at the Faculty of Economics, University of Rome (1974-1978), he started his career as chief of the analysis of the monetary markets at the Banca Nazionale del Lavoro (from 1978 to 1979), he has been also economist at the division of the international markets of capitals of the International Monetary Fund (from 1980 to 1985). Chief of the economics studies of IRI (from 1985 to 1990, in which he also studied the items related to the privatizations of the companies controlled by IRI and he studied the liberalization of the markets), he has been also advisor of the Minister of Industry for the industrial policies of competition (from 1986 to 1990, minding the first Italian antitrust law); in this period he has been member of the board of directors of Italcable (STET Group, from 1986 to 1990) and chairman of Seleco (from 1988 to 1990). From 1987 to 1991 he was a professor of economy of public enterprises at the "Catholic" University in Milan. First secretary of the Antitrust Authority (from 1990 to 2000), he has represented also the abovementioned Authority at the meetings of the general managers of the competition of the European Union members. From 2001 to 2014 he has been partner at the Gianni, Origoni, Grippo, Cappelli & Partners Law Firm, in which he has founded the antitrust and regulation department, and in which is of counsel from January 2015. He is currently chairman of the board of directors of Bancapulia (from September 2016) and member of the board of directors of the parent company Veneto Banca (from August 2016). Member of the Board of Directors of Enel from May 2014.

### ***Anna Chiara Svelto***

She graduated in law at the University of Milan, she became a lawyer in September 1995. From March 1996 to February 1998 she worked at the legal affairs directorate of Edison, becoming later chief of the legal and corporate affairs directorate of Shell Italia from March 1998 to September 2000. Then she joined the Pirelli Group, in which she worked until May 2016, holding several managerial positions in the parent company, and specifically acting as chief of corporate affairs and compliance department, as well as secretary of the board of directors and secretary of the advisory committees instituted inside the board of directors. From April 2013 to February 2014 she has been director and member of the control and risk and corporate governance committee of Prelios, while from April 2016 she is independent director and member of the remuneration committee of ASTM. From June 2016 she joined UBI Banca, as chief general counsel. She is member of Enel's Board of Directors since May 2014.



### ***Angelo Taraborrelli***

He was born in Guardiagrele (Chieti) in 1948, after the graduation with honors in Law at the University of Siena in 1971, he obtained a master degree in hydrocarbon business at the High School of Hydrocarbon "Enrico Mattei". He began his professional activity at Eni in 1973, where he held various management offices, up to the role of Director of Planning and Control of Saipem. Then he held the office of the holding's deputy Head of Strategic control and Up-stream development and Gas (in 1996) and, subsequently (in 1998), the office of deputy head of Planning and Industrial Control. Subsequently he held the office of deputy Chairman of Snamprogetti (from 2001 until 2002) and has been chief executive officer for AgipPetroli's business (2002). From the beginning of 2003, after the incorporation of the aforementioned company in the holding, he was deputy general manager of the marketing area at the Refining & Marketing Division. From 2004 until 2007 he was general manager of Eni with responsible for the Refining & Marketing Division. Until September 2007, he was director of Galp (a Portuguese oil company), deputy Chairman of Unione Petrolifera (association of the oil companies operating in Italy), director of Eni Foundation and Chairman of Eni Trading & Shipping. From 2007 until 2009 he held the office of chief executive officer and general manager of Syndial, Eni's company operating in chemicals and environmental intervention fields. In 2009 he left Eni in order to carry out consultancy in oil industry matters; then he was appointed as distinguished associate of Energy Market Consultants (consultancy firm in oil industry matters with registered office in London) in 2010. He has been a member of Enel Board of Directors since May 2011.

### **Principal Officers**

The following table sets forth the Enel Group's officers with strategic responsibilities and their positions as of the date of this Offering Circular.

<b>Name</b>	<b>Position</b>
Livio Gallo.....	Head, Global Infrastructure and Networks business line
Enrico Viale.....	Head, Global Thermal Generation business line
Claudio Machetti .....	Head, Global Trading business line
Antonio Cammisecra .....	Head, Global Renewable Energies business line
Carlo Tamburi .....	Head, Country Italy
José Bogas Gálvez.....	Head, Iberian Peninsula region
Luca D'Agnese .....	Head, South America region
Roberto Deambrogio .....	Head, Europe and North Africa region
Alberto De Paoli .....	Head, Administration, Finance and Control function
Francesca Di Carlo .....	Head, Human Resources and Organization function

## Form of the Notes

The Notes will be issued in fully registered global form. Notes will be offered and sold both outside the United States in reliance on the exemption from registration provided by Regulation S under the Securities Act (**Regulation S**) and within the United States to QIBs (as defined below) in reliance on Rule 144A under the Securities Act (**Rule 144A**).

The Notes offered and sold in reliance on Regulation S, which will be sold to non-U.S. persons outside the United States, will be represented by a global note in registered form, without receipts or interest coupons (the **Regulation S Global Note**), which will be deposited with a custodian for, and registered in the name of a nominee of, DTC for credit to an account of a direct or indirect participant in DTC, including Euroclear and Clearstream. Prior to expiry of the distribution compliance period (as defined in Regulation S), beneficial interests in a Regulation S Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person save as otherwise provided in Condition 2 (Transfers) and may not be held otherwise than through Euroclear or Clearstream as participants in DTC and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Notes may only be offered and sold in the United States or to U.S. persons in private transactions to “qualified institutional buyers” within the meaning of Rule 144A (**QIBs**). The Notes sold to QIBs will be represented by a global note in registered form, without receipts or interest coupons (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Global Notes**), which will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

Persons holding beneficial interests in Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

The Rule 144A Global Note will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in the Agency Agreement) as the registered holder of the Global Notes. None of the Issuer, Enel or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6(a)) in the manner provided in that Condition.

Interests in a Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (i) an Event of Default has occurred and is continuing, (ii) DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Global Notes or DTC has ceased to constitute a clearing agency registered under the Exchange Act at a time when DTC is required to be so registered in order to act as depository, and in each case the Issuer fails to appoint a successor depository within 90 days of such notice or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (Notices) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream (acting on the instructions of any holder of an interest in such Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

### Transfer of interests

Interests in a Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Note. No beneficial owner of an interest in a Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC. **Registered Notes are also**

**subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see “Subscription and sale.”**

### **General**

So long as DTC or its nominee is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement and such Notes except to the extent that in accordance with DTC’s published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

A Note may be accelerated automatically by the holder thereof in certain circumstances described in Condition 10 (Events of Default). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then the Global Note will become void. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream and DTC. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver Definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC’s standard operating procedures.

## Terms and conditions of the Notes

The following are the terms and conditions (the **Conditions**) of the US\$2,000,000,000 2.875% Notes due 2022 (the **2022 Notes**), the US\$2,000,000,000 3.625% Notes due 2027 (the **2027 Notes**) and the US\$1,000,000,000 4.750% Notes due 2047 (the **2047 Notes**) (the 2022 Notes, together with the 2027 Notes and the 2047 Notes, the **Notes**).

The Notes are issued by Enel Finance International N.V. (the **Issuer** or **Enel N.V.**) pursuant to the Agency Agreement (as defined below).

Each of the 2022 Notes, the 2027 Notes and the 2047 Notes constitute separate series of notes for the purposes of the Conditions.

References herein to the Notes shall mean:

- (i) in relation to any 2022 Notes represented by a global Note (the **2022 Global Note**), in relation to any 2027 Notes represented by a global Note (the **2027 Global Note**) and in relation to any 2047 Notes represented by a global Note (the **2047 Global Note** and, together with the 2022 Global Note and the 2027 Global Note, the **Global Notes** and each a **Global Note**), the Global Notes; and
- (ii) in relation to any 2022 Notes represented by a definitive Note (the **2022 Definitive Notes**), in relation to any 2027 Notes represented by a definitive Note (the **2027 Definitive Notes**) and in relation to any 2047 Notes represented by a definitive Note (the **2047 Definitive Notes** and, together with the 2022 Definitive Notes and the 2027 Definitive Notes, the **Definitive Notes** and each a **Definitive Note**), any Definitive Notes.

The Notes of each series have the benefit of an agency agreement (the **Agency Agreement**) dated May 25, 2017 made between, among others, the Issuer, Enel—Società per Azioni (the **Guarantor**) as guarantor of the Notes, The Bank of New York Mellon as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and as transfer agent and the other transfer agents named therein (together with the Registrar (as defined below), the **Transfer Agents**, which expression shall include any additional or successor transfer agents) and The Bank of New York Mellon (Luxembourg) N.V. as registrar (the **Registrar**, which expression shall include any successor registrar and the Registrar together with the Paying Agents and the Transfer Agents, the **Agents**).

Any reference to **Noteholders** or **holders**, shall mean the persons in whose name the Notes of a series are registered and shall, in relation to any Notes of such series represented by a Global Note, be construed as provided below.

The Notes of each series will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to a deed of guarantee (the **Guarantee**) dated May 25, 2017. Under the Guarantee, Enel has guaranteed the due and punctual payment of all amounts due under the Notes as and when the same shall become due and payable. The original of the Guarantee is held by the Principal Paying Agent at its specified office on behalf of the holders of the Notes of each series.

Copies of the Agency Agreement and the Guarantee are available for inspection during normal business hours at the registered office of each of the Principal Paying Agent and the other Paying Agents. The Noteholders are deemed to have notice of all the provisions of the Agency Agreement. The statements in these Conditions include summaries of the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires.

## 1. Form, denomination and title

The Notes of each series are in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof (the **Authorised Denomination**).

Subject as set out below, title to the Notes of a series will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Guarantor and any Agent will (except as otherwise required by law or ordered by a court having jurisdiction or an official authority) deem and treat the registered holder of any Note of a series as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Note of a series represented by a Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as The Depository Trust Company (**DTC**) or its nominee is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes of such series represented by such Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes of a series which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC and its participants (including Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**)) and its indirect participants.

## 2. Transfers

### (a) *Transfer*

Subject to Conditions 2(c) (*Closed Periods*) and 2(e) (*Regulations Concerning Transfer and Registration*), a Note may be transferred in whole or in part in an authorised denomination upon the surrender of the Definitive Note representing that Note, together with the form of transfer (including any certification as to compliance with restrictions on transfer included in such form of transfer) endorsed thereon (the **Transfer Form**) duly completed and executed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or, as the case may be, such Transfer Agent may require to prove the title of the transferor and the authority of the persons who have executed the Transfer Form. In the case of a transfer of part only of the Notes represented by a Definitive Note, neither the part transferred nor the balance not transferred may be less than the applicable authorised denomination; a new Definitive Note in respect of the part transferred will be issued to the transferee and a new Definitive Note in respect of the balance not so transferred will be issued to the transferor.

### (b) *Delivery*

Each new Definitive Note to be issued upon a transfer of any Notes will, within five business days of the request for transfer being duly made, be delivered at the specified office of the Registrar or, as the case may be, any Transfer Agent or (at the request and the risk of such transferee) be mailed by uninsured post to such address as the transferee entitled to the Notes represented by such Definitive Note may have specified.

In this Condition 2(b), "business day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for business (including dealings in foreign exchange and foreign currency deposits) in the cities in which the Registrar and/or any such Transfer Agent (as applicable) have their respective specified offices.

### (c) *Closed periods*

No Noteholder may require the transfer of a Note to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of such Note.

**(d) Costs of registration**

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

**(e) Regulations Concerning Transfer and Registration**

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer (i) to reflect changes in legal requirements or (ii) in any other manner which is not prejudicial to the interests of Noteholders. A copy of the current regulations will be sent by the Registrar to any Noteholder who so requests.

**3. Status of the Notes and the Guarantee**

**(a) Status of the Notes**

The Notes of each series are direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured and unsubordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and at least equally with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, other than obligations, if any, that are mandatorily preferred by statute or by operation of law.

**(b) Status of the Guarantee**

The obligations of the Guarantor under the Guarantee are direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured and unsubordinated obligations of the Guarantor and rank at least equally with all other outstanding unsecured and unsubordinated obligations of the Guarantor, present and future, other than obligations, if any, that are mandatorily preferred by statute or by operation of law.

**4. Negative pledge**

Neither the Issuer nor the Guarantor will, so long as any of the Notes of either series remains outstanding (as defined in the Agency Agreement), create or have outstanding (other than by operation of law) any mortgage, lien, pledge or other charge upon the whole or any part of its assets or revenues, present or future, to secure any Indebtedness (as defined below) unless:

- (i) the same security shall forthwith be extended equally and ratably to the Notes of such series; or
- (ii) such other security as shall be approved by an Extraordinary Resolution of the Noteholders of Notes of such series shall previously have been or shall forthwith be extended equally and ratably to the Notes of such series.

As used herein, **Indebtedness** means any present or future indebtedness for borrowed money of the Issuer or the Guarantor which is in the form of, or represented by, bonds, notes, debentures or other securities and which is or are intended to be quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other established securities market.

**5. Interest**

**(a) Interest**

The 2022 Notes bear interest from and including May 25, 2017 at a rate of 2.875% per annum, the 2027 Notes bear interest from and including May 25, 2017 at a rate of 3.625% per annum and the 2047 Notes bear interest from and including May 25, 2017 at a rate of 4.750% per annum (each, a **Rate of Interest** and together, the **Rates of Interest**), in each case payable semi-annually in arrear on May 25 and November 25 in each year and commencing on November 25, 2017 (each an **Interest Payment Date**) up to, and including, May 25, 2022 (in the case of the

2022 Notes), May 25, 2027 (in the case of the 2027 Notes) and May 25, 2047 (in the case of the 2047 Notes) (each, a **Maturity Date** and, together the **Maturity Dates**).

The amount of interest payable on an Interest Payment Date shall be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

**(b) *Accrual of interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Principal Paying Agent or the Registrar, as the case may be,

and notice to that effect has been given to the Noteholders of the relevant series in accordance with Condition 13 (*Notices*).

**6. Payments**

**(a) *Principal and Interest***

Payments of principal and interest in respect of the Notes will be made to the Persons shown in the Register at the close of business on the fifteenth date before any Interest Payment Date (the **Record Date**). Each payment in respect of the Notes will be made by transfer to a U.S. dollar account maintained by or on behalf of the payee with a bank in New York City.

**(b) *Partial Payments***

If at any time a partial payment is made in respect of any Note, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.

**(c) *Payments on Payment Days***

If the date for payment of any amount in respect of any Note of a series is not a Payment Day (as defined below), the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day (other than a Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation, London and New York City.

**(d) *Interpretation of principal and interest***

Any reference in these Conditions to principal in respect of the Notes of any series shall be deemed to include any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*). Any reference in these Conditions to interest in respect of the Notes of any series shall be deemed to include any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*).

**(e) *Payments subject to fiscal laws***

All payments in respect of the Notes of any series are subject in all cases to any applicable fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the United States Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or

(without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Noteholders in respect of such payments.

## **7. Redemption and purchase**

### **(a) *Redemption at maturity***

Unless previously redeemed or purchased and cancelled as specified below, the Notes of each series will be redeemed by the Issuer at its principal amount in U.S. dollars on the applicable Maturity Date.

### **(b) *Redemption for tax reasons***

The Notes of any series may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 13 (*Notices*), the Noteholders of such series (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes of such series the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective (A) on or after May 25, 2017 or (B) if a substitution has occurred in accordance with Condition 15 (*Substitution*) and the Tax Jurisdiction of the Substitute (as defined in Condition 15 (*Substitution*)) is a jurisdiction other than the Republic of Italy or The Netherlands, on or after the date of any Subsidiary Substitution Deed Poll (as defined below); and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes of that series then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two directors of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing in a Tax Jurisdiction (as defined in Condition 8 (*Taxation*)) to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged, as aforesaid, to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their principal amount together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Upon the expiry of such notice, the Issuer shall be bound to redeem the Notes of the relevant series accordingly.

### **(c) *Redemption at the option of the Issuer***

The Issuer may at any time in whole or in part subject to having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders of the relevant series in accordance with Condition 13 (*Notices*) with a copy to the Guarantor; and



- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Principal Paying Agent and the Registrar (which notices shall be irrevocable and shall specify the date fixed for redemption),

redeem all or only some of the Notes of any series then outstanding on such date (an **Optional Redemption Date**) at a redemption price equal to the greater of (i) 100 per cent. of the principal amount of the Notes to be redeemed plus accrued and unpaid interest thereon, if any, to, but excluding, the date of redemption of such Notes or (ii) as determined by an Independent Investment Banker (as defined below), the sum of the present values of the remaining scheduled payments of principal of the Notes to be redeemed and interest thereon discounted to the date of redemption of such Notes on a semi-annual basis (using the same interest rate convention) at the Treasury Rate (as defined below) plus 0.200% for the 2022 Notes, 0.250% for the 2027 Notes and 0.300% for the 2047 Notes, plus accrued and unpaid interest on such Notes (or any portion thereof) being redeemed and additional amounts, if any, to, but excluding, the date of redemption of such Notes (or any portion thereof) being redeemed.

As used herein:

“**H.15**” means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

“**Independent Investment Banker**” means an independent investment banking institution of international standing in the U.S. Dollar denominated bond markets appointed by the Issuer and the Guarantor.

“**Treasury Rate**” means the annual rate equal to the semi-annual yield to maturity for United States Treasury securities maturing on the stated maturity of the Notes of the relevant series being redeemed and trading in the public security markets either:

- (i) as determined by the Independent Investment Banker by interpolation between the most recent weekly average yield to maturity for two series of United States Treasury securities trading in the public security markets,
  - (a) one maturing as close as possible to, but earlier than, the stated maturity of the Notes of the relevant series being redeemed, and
  - (b) the other maturing as close as possible to, but later than, the stated maturity of the Notes of the relevant series being redeemed, in each case as published in the most recent H.15, or
- (ii) if the weekly average yield to maturity for United States Treasury securities maturing on the stated maturity of the Notes of the relevant series being redeemed is reported in the most recent H.15, this weekly average yield to maturity as published in such H.15,

and, in either case, if H.15 is not available, such other release or publication as the Independent Investment Banker shall determine.

**(d) Provisions relating to Partial Redemption**

If less than all of the Notes are to be redeemed at any time, selection of such Notes for redemption will be made in compliance with the rules, if any, of any stock exchange on which the Notes are listed or, if such Notes are not then listed or there are no such applicable rules, on a *pro rata* basis. Where some but not all of the Notes in respect of which a Definitive Note is issued are to be redeemed, the notice of redemption that relates to such Definitive Note shall state the portion of the principal amount of the Notes to be redeemed, and where applicable, a new Definitive Note in a principal amount equal to the unredeemed Notes will be issued in the name of the Noteholder thereof upon cancellation of the original Definitive Note. Any such new Definitive Note will be delivered to the specified office of an Agent or (at the risk and, if mailed at the request of the Noteholders otherwise than by ordinary uninsured mail, at the expense of the Noteholder) sent by mail to the Noteholder.

**(e) Purchases**

The Issuer, the Guarantor or any subsidiaries of the Guarantor may at any time purchase Notes of a series in the open market or by tender or by private agreement at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

**(f) Cancellation**

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and the Notes purchased and cancelled pursuant to paragraph (d) above shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

**8. Taxation**

All payments of principal and interest in respect of the Notes by, or on behalf of the Issuer, or the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:

- (i) where relevant, presented for payment by or on behalf of a Beneficiary who would have been able to avoid such withholding or deduction by presenting the Note to another Paying Agent in a member state of the European Union; or
- (ii) held by a Noteholder or, where relevant, presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note; or
- (iii) held by a Noteholder or, where relevant, presented for payment by, or on behalf of, a holder who would be able to avoid such withholding or deduction by making a declaration or any other statement including, but not limited to, a declaration of residence or non-residence, but fails to do so; or
- (iv) where relevant, presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 6(d)); or
- (v) in the event of payment by the Guarantor to a non-Italian resident Noteholder, to the extent that the Noteholder is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
- (vi) where such withholding or deduction is required pursuant to Sections 1471 through 1474 of the Code, the regulations thereunder, any official interpretations thereof, any agreement, law, regulation, or other official guidance implementing an intergovernmental approach thereto, or an agreement described in Section 1471(b)(1) of the Code.

As used herein:

“**Tax Jurisdiction**” means The Netherlands, any other jurisdiction in which the Issuer is organized, incorporated or otherwise resident for tax purposes, or any political subdivision or any authority thereof or therein having power to tax in the case of payments by the Issuer, or the Republic of Italy, any other jurisdiction in which the Guarantor is organized, incorporated or otherwise resident for tax purposes, or any political subdivision or any authority thereof or therein having power to tax in the case of payments by the Guarantor.

“**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).

## 9. Prescription

The Notes of either series will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8 (*Taxation*)) therefor.

## 10. Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing with respect to the Notes of a series:

- (i) a default is made for a period of ten days or more in the payment of principal of or any interest in respect of any Notes of such series after the due date thereof; or
- (ii) the Issuer or the Guarantor shall be adjudicated or becomes insolvent or shall stop payment or announce that it shall stop payment or shall be found unable to pay its debts (and including, without limitation, in relation to Enel N.V., a voluntary liquidation (*vereffening*), suspension of payments (*surseance van betaling*) or bankruptcy (*faillissement*)), or a composition with creditors, or any order shall be made by any competent court or other competent body for, or any resolution shall be passed by the Issuer or the Guarantor for, judicial composition proceedings with its creditors or for the appointment of a receiver, administrative receiver or trustee (including, without limitation in relation to Enel N.V., any administrator in bankruptcy (*curator*)) or other similar official in insolvency proceedings in relation to the Issuer or the Guarantor; or
- (iii) the Issuer or the Guarantor fails to pay a final judgment of a court of competent jurisdiction within 60 days from the receipt of a notice that a final judgment in excess of an amount equal to the value of a substantial part of the assets or property of the Guarantor has been entered against it or an execution is levied on or enforced upon or sued out in pursuance of any such judgment against any substantial part of the assets or property of the Issuer or the Guarantor; or
- (iv) the Issuer or the Guarantor shall be wound up or dissolved (otherwise than for the purpose of a solvent amalgamation, merger or reconstruction under which the assets and liabilities of the Issuer or the Guarantor, as the case may be, are assumed by the entity resulting from such amalgamation, merger or reconstruction and such entity assumes the obligations of the Issuer or the Guarantor, as the case may be, in respect of the Notes or the Guarantee, as the case may be, and an opinion of an independent legal adviser of recognised standing in the jurisdiction of incorporation of the Issuer, in the case of the Issuer or in Italy, in the case of the Guarantor, has been delivered to the Principal Paying Agent confirming the same prior to the effective date of such amalgamation, merger or reconstruction); or
- (v) the Issuer or the Guarantor shall cease or announce that it shall cease to carry on its business (otherwise than for the purpose of a solvent amalgamation, merger or reconstruction under which the assets and liabilities of the Issuer or the Guarantor, as the case may be, are assumed by the entity resulting from such amalgamation, merger or reconstruction and such entity assumes the obligations of the Issuer or the Guarantor, as the case may be, in respect of the Notes or the Guarantee, as the case may be, and an opinion of an independent legal adviser of recognised standing in the jurisdiction of incorporation of the Issuer, in the case of the Issuer or in Italy, in the case of the Guarantor, has been delivered to the Principal Paying Agent confirming the same prior to the effective date of such amalgamation, merger or reconstruction); or
- (vi) any Indebtedness for Borrowed Money (as defined below) of the Issuer or the Guarantor becomes due and repayable prematurely by reason of an event of default (however described) or the Issuer or the Guarantor fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (as extended by any originally applicable grace period) or any security given by the Issuer or the Guarantor

for any Indebtedness for Borrowed Money becomes enforceable or if default is made by the Issuer or the Guarantor in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person (as extended by any originally applicable grace period), provided that no such event shall constitute an Event of Default so long as and to the extent that the Issuer or the Guarantor, as the case may be, is contesting, in good faith, in a competent court in a recognised jurisdiction that the relevant Indebtedness for Borrowed Money or any such security, guarantee and/or indemnity shall be due or enforceable, as appropriate, and provided further that no such event shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money relating to all such events which shall have occurred and be continuing shall amount to at least €100,000,000 (or its equivalent in any other currency); or

- (vii) default is made by the Issuer or the Guarantor in the performance or observance of any obligation, condition or provision binding on the Issuer under the Notes of such series or on the Guarantor under the Guarantee in relation to, or in respect of, such Notes (other than any obligation for payment of any principal or interest in respect of such Notes) and (except in any case where the default is incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) such default continues for 30 days after written notice thereof to the Issuer or the Guarantor, as the case may be, requiring the same to be remedied; or
- (viii) the Guarantee ceases to be, or is claimed by the Guarantor not to be, in full force and effect,

then any holder of a Note of such series may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Notes of such series held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at their principal amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

As used herein:

“**Indebtedness for Borrowed Money**” means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

## **11. Replacement of Notes**

Should any Note of either series be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes of either series must be surrendered before replacements will be issued.

## **12. Agents**

The names of the initial Agents and their initial specified offices are in the Agency Agreement.

The Issuer and the Guarantor are entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (i) there will at all times be a Principal Paying Agent and a Registrar;
- (ii) so long as the Notes of the relevant series are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

- (iii) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Any variation, termination, appointment or change shall take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders of the relevant series in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and the Guarantor and do not assume any obligation to, or relationship of agency or trust with, any Noteholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

### **13. Notices**

All notices regarding the Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders of the relevant series (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing.

Until such time as any definitive Notes are issued and so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, delivery of the relevant notice may be made to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of Notes of such series and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange (or relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes of the relevant series on the fourth day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Definitive Note) with the relative Note or Notes of the relevant series, with the Registrar. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note of such series to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

### **14. Meetings of Noteholders, modification and waiver**

The Agency Agreement contains provisions for convening meetings of the holders of a series of Notes to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of such series of Notes or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer or Noteholders holding not less than one-twentieth in nominal amount of the Notes of a series for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than one-half in nominal amount of the relevant series of Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of a series of Notes (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of such series of Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of such series of Notes for the time being outstanding plus the favourable vote of the Issuer. An Extraordinary Resolution passed at any meeting of the holders of a series of Notes shall be binding on all the holders of such series of Notes, whether or not they are present at the meeting.

The Principal Paying Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders of a series, to:

- (i) any modification (except as mentioned above) of the Notes of a series or the Agency Agreement which is not, in the opinion of the Issuer, prejudicial to the interests of the Noteholders of a series; or
- (ii) any modification of the Notes of a series or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the holders of the relevant series of Notes and any such modification shall be notified to such Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

## 15. Substitution

### (a) *Substitution of the Issuer by the Guarantor*

The Issuer may at any time, without the consent of the Noteholders, substitute for itself as principal debtor under the Notes of either series the Guarantor as Issuer, provided that no payment in respect of the Notes of such series being substituted (the **guarantor substituted notes**) is at the relevant time overdue. The substitution shall be made by a deed poll (the **Guarantor Substitution Deed Poll**), to be substantially in the form set out in the Agency Agreement and may take place only if:

- (i) the Guarantor shall, by means of the Guarantor Substitution Deed Poll, agree to indemnify each holder of the guarantor substituted notes against (A) any tax, duty, assessment or governmental charge which is imposed on such Noteholder by (or by any authority in or of) the Republic of Italy with respect to any guarantor substituted notes and which would not have been so imposed had the substitution not been made and (B) any tax, duty, assessment or governmental charge, and any cost or expense relating to the substitution, except that the Guarantor shall not be liable under such indemnity to pay any additional amounts either on account of “*imposta sostitutiva*” or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information;
- (ii) all the provisions set forth in Condition 8 (*Taxation*) with respect to the Guarantor as Issuer of the Notes of each series shall apply to guarantor substituted notes following the substitution as if guarantor substituted notes were originally issued by the Guarantor;
- (iii) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Guarantor Substitution Deed Poll and the guarantor substituted notes represent valid, legally binding and enforceable obligations of the Guarantor and, in the case of the Guarantor Substitution Deed Poll, of the Issuer have been taken, fulfilled and done and are in full force and effect;
- (iv) legal opinions addressed to the holders of the guarantor substituted notes shall have been delivered to them (care of the Principal Paying Agent) from a lawyer or firm of lawyers with a leading securities practice in the Republic of Italy and in England as to the fulfilment of the preceding conditions of paragraph (iii) of this Condition 15 and the other matters specified in the Guarantor Substitution Deed Poll; and
- (v) the Issuer shall have given at least 14 days’ prior notice of such substitution to the Noteholders in accordance with Condition 13 (*Notices*), stating that “copies, or, pending execution, the agreed text, of all documents in relation to the substitution which are referred to above, or which might otherwise reasonably be regarded as material to Noteholders, will be available for inspection at the specified office of each of the Paying Agents.”

References in Condition 10 (*Events of Default*) to obligations under the Notes of each series shall be deemed to include obligations under the Guarantor Substitution Deed Poll.

### (b) *Substitution of the Issuer by another Subsidiary*

The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders, substitute for itself as principal debtor under the Notes of a series any company (the **Substitute**) that is a Subsidiary (as defined below) of the Guarantor, provided that no payment in respect of the Notes of such series being substituted

(the **subsidiary substituted notes**) is at the relevant time overdue. The substitution shall be made by a deed poll (the **Subsidiary Substitution Deed Poll**), to be substantially in the form scheduled to the Agency Agreement as Schedule 7, and may take place only if:

- (i) the Substitute, failing which, the Guarantor shall, by means of the Subsidiary Substitution Deed Poll, agree to indemnify each Noteholder of the subsidiary substituted notes against (A) any tax, duty, assessment or governmental charge that is imposed on such Noteholder by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to the subsidiary substituted notes and that would not have been so imposed had the substitution not been made, and (B) any tax, duty, assessment or governmental charge, and any cost or expense relating to the substitution, except that neither the Guarantor nor the Substitute shall be liable under such indemnity to pay any additional amounts either on account of "*imposta sostitutiva*" or on account of any other withholding or deduction in the event of payment of interest or other amounts paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information;
- (ii) all the provisions set forth in Condition 8 (*Taxation*) with respect to the Issuer and the Guarantor shall apply to the subsidiary substituted notes following the substitution as if the subsidiary substituted notes were originally issued by the Substitute and guaranteed by the Guarantor;
- (iii) the obligations of the Substitute under the Subsidiary Substitution Deed Poll and the subsidiary substituted notes shall be unconditionally guaranteed by the Guarantor by means of the Subsidiary Substitution Deed Poll and the Guarantee;
- (iv) all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Subsidiary Substitution Deed Poll and the subsidiary substituted notes represent valid, legally binding and enforceable obligations of the Substitute, and in the case of the Subsidiary Substitution Deed Poll and the Guarantee, of the Guarantor, have been taken, fulfilled and done and are in full force and effect;
- (v) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it;
- (vi) legal opinions addressed to the holders of the subsidiary substituted notes shall have been delivered to them (care of the Principal Paying Agent) from lawyers or firms of lawyers with leading securities practices in each jurisdiction referred to in paragraph (i) of this Condition 15(b) and in England as to the fulfilment of the preceding conditions of paragraph (iv) of this Condition 15(b) and the other matters specified in the Subsidiary Substitution Deed Poll;
- (vii) all references to The Netherlands in Condition 8 (*Taxation*) are replaced with references to the tax jurisdiction of the Substitute; and
- (viii) the Guarantor shall have given at least 14 days' prior notice of such substitution to Noteholders, in accordance with Condition 13 (*Notices*), stating that copies, or pending execution the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to Noteholders of the subsidiary substituted notes, shall be available for inspection at the specified office of each of the Paying Agents.

References in Condition 10 (*Events of Default*) to obligations under the Notes of either series shall be deemed to include obligations under the Subsidiary Substitution Deed Poll, and the events listed in Condition 10 (*Events of Default*) shall be deemed to include the guarantee by the Guarantor under the Subsidiary Substitution Deed Poll not being (or being claimed by the Guarantor not to be) in full force and effect.

As used herein: "**Subsidiary**" means any entity which is a subsidiary (*società controllata*) within the meaning of Article 2359 of the Italian Civil Code and Article 93 of the Italian Unified Financial Act.

**(c) *Consent to Substitution***

By subscribing to, or otherwise acquiring the Notes of a series, the Noteholders of such series of Notes expressly and irrevocably consent in advance to the substitution of the Issuer, the Guarantor or any Subsidiary, as the case may be, by the Guarantor or a Subsidiary, as the case may be, pursuant to Condition 15(a) or (b). The Noteholders of such series of Notes further consent to the release of the Issuer or any Subsidiary, as the case may be, from any and all obligations in respect of the Notes of each series and any relevant agreements and are expressly deemed to have accepted such substitution and the consequences thereof.

**16. Further issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes having terms and conditions the same as the Notes of either series or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes of the relevant series.

**17. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

**18. Governing Law and submission to jurisdiction**

**(a) *Governing law***

The Agency Agreement, the Guarantee, any Guarantor Substitution Deed Poll, any Subsidiary Substitution Deed Poll and the Notes of each series and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Purchase Agreement is governed by, and shall be construed in accordance with, New York law.

**(b) *Submission to jurisdiction***

In relation to any legal action or proceedings arising out of or in connection with the Notes of each series and/or the Agency Agreement (**Proceedings**), the Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) to the extent permitted by law.

**(c) *Appointment of Process Agent***

The Issuer appoints Law Debenture Corporate Services Limited of 100 Wood Street, London EC2V 7EX as its agent in England to receive service of process in any Proceedings in England based on any of the Notes of each series, the Guarantee, the Agency Agreement, the any Guarantor Substitution Deed Poll and/or any Subsidiary Substitution Deed Poll. If for any reason such process agent ceases to act as such or no longer has an address in England, the Issuer agrees to appoint a substitute agent for service of process for any proceedings in England and to give notice to the Noteholders of such appointment in accordance with Condition 13 (*Notices*).

**(d) *Other documents***

The Issuer and the Guarantor have in the Agency Agreement and the Guarantee (in the case of the Guarantor) submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.



## **19. Available information**

The Issuer and the Guarantor will furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by such holder, the information required to be delivered under Rule 144A(d)(4) under the U.S. Securities Act of 1933, as amended, if, at the time of the request, the Issuer or the Guarantor, as the case may be, is neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

## **Book-entry—Clearance systems**

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC currently in effect. The information in this section concerning DTC has been obtained from sources that the Issuer and the Guarantor believe to be reliable, but none of the Issuer, the Guarantor, nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of DTC are advised to confirm the continued applicability of the rules, regulations and procedures of DTC. None of the Issuer, the Guarantor, nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of DTC or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

### **Book-entry systems**

#### ***DTC***

DTC has advised the Issuer and the Guarantor that it is a limited purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the Exchange Act. DTC was created to hold securities that its participating organizations (collectively, the **Participants**) deposit with DTC and to facilitate the clearance and settlement of transactions in those securities among Participants through electronic book-entry changes in Participants’ accounts. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants**).

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **Rules**), DTC makes book-entry transfers of Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC’s book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The Rules are on file with the SEC. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Notes, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest with respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC’s records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct and Indirect Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book- entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to Cede & Co. If less than all of the DTC Notes within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the DTC Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Guarantor subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants. Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Rule 144A Global Note, will be legended. Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Notes from DTC as described below.

### ***Euroclear and Clearstream***

Our understanding with respect to the organization and operations of Euroclear and Clearstream is as follows. Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

### **Book-entry ownership of and payments in respect of DTC notes**

The Issuer will apply to DTC in order to have each tranche of Notes represented by a Global Note accepted in its book-entry settlement system. Upon the issue of any such Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Global Note will be limited to Direct Participants or Indirect Participants, including the respective depositories of Euroclear and Clearstream. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Global Note registered in the name of DTC's nominee will be made to the order of such nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC's nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participant's account. The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with

securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payments of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

### **Transfers of Notes represented by the Global Notes**

Transfers of any interests in Notes represented by a Global Note within DTC will be effected in accordance with the customary rules and operating procedures of DTC. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Global Note to pledge such Notes to persons or entities that do not participate in the DTC system or to otherwise take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Global Note to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Notes described under “Subscription and sale”, cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and the custodian (**Custodian**) with whom the Global Notes have been deposited, which is the Principal Paying Agent. On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Transfers of interests between the Legended Notes and Regulation S Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of crossmarket transfers, settlement between Euroclear or Clearstream accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Notes among participants and accountholders of DTC, Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Guarantor, the Agents and any Dealer will be responsible for any performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

## Certain tax considerations

*The statements herein regarding taxation are based on the laws in force as at the date of this Offering Circular and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. Neither the Issuer nor the Guarantor will update this summary to reflect changes in laws and if such a change occurs the information in this summary could become invalid.*

*This summary assumes that the Issuer and the Guarantor are resident for tax purposes in The Netherlands and in the Republic of Italy, respectively, and are structured and conduct their business in the manner outlined in this Offering Circular. Changes in the Issuer's and/or the Guarantor's organizational structure, tax residence or the manner in which each of them conducts its business, as well as the change of the Issuer, may invalidate this summary. This summary also assumes that each transaction with respect to the Notes is at arm's length.*

*The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.*

*Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of the Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws.*

### United States Federal Income Taxation

The following discussion is a summary of certain material United States federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (as defined below), but does not purport to be a complete analysis of all potential tax effects and does not address the effects of any state, local or non-U.S. tax laws. It applies only to persons who acquire the Notes in the initial offering and who hold the Notes as capital assets for tax purposes. This discussion does not apply to members of a class of holders subject to special rules, such as:

- a dealer in securities,
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings,
- a bank,
- a life insurance company,
- a tax-exempt organization,
- a person that owns Notes that are a hedge or that are hedged against interest rate risks,
- a person that owns Notes as part of a straddle or conversion transaction for tax purposes,
- a person that purchases or sells Notes as part of a wash sale for tax purposes, or
- a holder whose functional currency for tax purposes is not the U.S. dollar.

This discussion is based upon the Internal Revenue Code of 1986, as amended (the **Code**), its legislative history, existing and proposed Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. In addition, this discussion assumes that the Notes are properly characterized as indebtedness for U.S. federal income tax purposes.

For purposes of this discussion, a “**U.S. holder**” is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in the United States or under the laws of the United States or of any political subdivision thereof; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its

source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other federal, state, local, foreign or other tax laws.

### ***Payments of interest***

It is anticipated, and this discussion assumes, that the Notes will not be issued with original issue discount for U.S. federal income tax purposes.

Payments of stated interest on the Notes generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

Should any foreign tax be withheld, the amount withheld and the gross amount of any additional amounts paid to a U.S. holder pursuant to Condition 8 (Taxation) will be included in such holder's income at the time such amount is received or accrued (or deemed received or accrued) in accordance with such holder's method of tax accounting. U.S. holders should consult their tax advisors regarding the creditability or deductibility of any withholding taxes. Any additional amounts would generally constitute foreign source income.

Interest income on a Note and any additional amounts paid with respect to withholding tax on the Notes, including withholding tax on payments of such additional amounts, is income from sources outside the United States and will, depending on a U.S. holder's circumstances, be either "passive" or "general" income for purposes of the rules regarding the foreign tax credit allowable to a U.S. holder. Holders should consult their own tax advisors regarding the creditability of any withholding taxes.

### ***Sale, exchange, retirement, or other taxable disposition of Notes***

Upon the sale, exchange, retirement, or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange, retirement or other disposition (less an amount allocable to any accrued but unpaid interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and the adjusted tax basis of the Note. A U.S. holder's adjusted tax basis in a Note will, in general, be its cost for such Note.

Any gain or loss will be capital gain or loss. Capital gains of noncorporate U.S. holders (including individuals) derived in respect of capital assets held for more than one year are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Capital gain or loss recognized by a U.S. holder generally will be U.S.-source gain or loss.

The substitution of Enel or another subsidiary of Enel for the Issuer as principal debtor under the Notes pursuant to Condition 15 (Substitution) may result in a taxable exchange of the Note for a "new" Note for U.S. federal income tax purposes. However, as noted above in the discussion under Conditions 15(a)(i) and (b)(i) a U.S. holder of the Notes will be indemnified for any taxes incurred as a result of a substitution of the Issuer of the Notes.

### ***Medicare tax***

A U.S. holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the U.S. holder's "net investment income" (or "undistributed net investment income" in the case of an estate or trust) for the relevant taxable year and (2) the excess of the U.S. holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between US\$125,000 and US\$250,000, depending on the individual's circumstances). A U.S. holder's net investment income generally includes its interest income and its net gains from the disposition of

Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A U.S. holder that is an individual, estate or trust, is urged to consult a tax advisor regarding the applicability of the Medicare tax to income and gains in respect of investing in the Notes.

### ***Information with respect to foreign financial assets***

Owners of “specified foreign financial assets” with an aggregate value in excess of US\$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Notes.

### ***Information reporting and backup withholding***

For a noncorporate U.S. holder, information reporting requirements, on Internal Revenue Service Form 1099, generally would apply to payments of principal and interest on a Note within the United States, and the payment of proceeds from the sale of a Note effected at a United States office of a broker.

Additionally, backup withholding may apply to such payments if a U.S. holder fails to comply with applicable certification requirements or (in the case of interest payments) is notified by the IRS that the holder has failed to report all interest and dividends required to be shown on the holder’s federal income tax returns.

Payment of the proceeds from the sale of a Note effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

A U.S. holder generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed the holder’s income tax liability by filing a refund claim with the IRS.

### **Taxation in the Republic of Italy**

*The statements herein regarding taxation summarize the main Italian tax consequences of the purchase, ownership, redemption and disposal of the Notes.*

*Where in this summary English terms and expressions are used to refer to Italian concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Italian concepts under Italian tax law.*

### **Interest**

Legislative Decree 1 April 1996, No. 239 (“**Decree 239**”) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as “**Interest**”) from notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of Italian Presidential Decree 22 December 1986, No. 917 (“**Decree 917**”) issued, *inter alia*, by non-Italian resident issuers.

For this purpose, pursuant to Article 44 of Decree 917, debentures similar to bonds are securities that (i) incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and (ii) do not grant to the relevant holders any right to directly or indirectly participate to the management of the issuer or of the business in relation to which they are issued or to control the same management.

## Italian resident Noteholders

Where an Italian resident Noteholder, who is the beneficial owner of the Notes qualifying as bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) within the meaning of Article 44 of Decree 917, is:

- (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has entrusted the management of his financial assets, including the Notes, to an authorized intermediary and has opted for the asset management regime); or
- (b) a partnership (other than a *società in nome collettivo* or *società in accomandita semplice* or similar partnership) or a *de facto* partnership not carrying out commercial activities or professional association; or
- (c) private or public institutions, other than companies, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (d) an investor exempt from Italian corporate income taxation,

Interest payments relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). All the above categories are qualified as “net recipients”.

Where the Italian resident Noteholder described above under (a) and (c) are engaged in an entrepreneurial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so-called **SIMs**), fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Finance (each an **Intermediary**).

An Intermediary must (a) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary, and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian intermediary (or permanent establishment in Italy of foreign intermediary) that intervenes in the payment of interest to any holder of Notes.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorized intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to IRAP (the regional tax on productive activities)). Interest on the Notes that are not deposited with an authorized intermediary, received by the above persons is subject to a 26 per cent. *imposta sostitutiva* levied as provisional tax.

Where a Noteholder is an Italian resident real estate investment fund or a *società di investimento a capitale fisso* (**SICAF**), to which the provisions of Law Decree No. 351 of 25th September, 2001, as subsequently amended, apply (**Real Estate SICAF**), Interest accrued on the Notes will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF. The income of the real estate fund or the Real Estate SICAF is subject to tax, at the level of the holders of units in such funds, depending on the status and percentage of their participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (the **Fund**), a *società di investimento a capitale variabile* (**SICAV**) or a SICAF and the relevant Notes are held by an authorized intermediary, Interest accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*. They must, however, be included in the management results of the Fund, the SICAV or the SICAF, accrued at the end of



each tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favor of unitholders or shareholders.

Where an Italian resident Noteholders is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorized intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax (the **Pension Fund Tax**) on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

### **Non-Italian Resident Noteholders**

No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest, premium and other income relating to Notes issued by a non-Italian resident Issuer.

If Notes issued by a non-Italian resident Issuer and beneficially owned by non-Italian residents are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or are sold through an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or in any case an Italian resident intermediary (or permanent establishment in Italy of foreign intermediary) intervenes in the payment of interest and other income on such Notes, to ensure payment of interest and other income without application of Italian taxation a non-Italian resident Noteholder may be required to produce to the Italian bank or the relevant intermediary a self-declaration stating that he, she or it is not resident in Italy for tax purposes.

### **Atypical Securities**

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) or of shares or securities similar to shares (*azioni* or *titoli similari alle azioni*) pursuant to Article 44 of Decree 917, but qualify as atypical securities (*titoli atipici*) for Italian tax purposes, are subject to a withholding tax, levied at the rate of 26 per cent.

In case of Notes issued by a non-Italian resident Issuer, a 26 per cent. withholding tax may apply in Italy if the Notes are placed (“*collocare*”) in Italy and interest payments on the Notes are collected through an Italian bank or other qualified financial intermediary. However, such 26 per cent. withholding tax does not apply to interest payments made:

- (a) to a non-Italian resident Noteholder. If Notes issued by a non-Italian resident Issuer and beneficially owned by non-Italian residents are deposited with an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign intermediary) or are sold through an Italian bank or other resident intermediary (or permanent establishment in Italy of foreign Italy of foreign intermediary) or in any case an Italian resident intermediary (or permanent establishment in Italy of foreign intermediary) intervenes in the payment of interest and other income on such Notes, to ensure payment of interest and other income without application of Italian taxation a non-Italian resident Noteholder may be required to produce to the Italian bank or the relevant intermediary a self-declaration stating that he, she or it is not resident in Italy for tax purposes; and
- (b) to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are effectively connected), (ii) a commercial partnership, or (iii) a commercial private or public institution.

### **Payments made by an Italian Resident Guarantor**

There is no authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein or that the Italian courts would not support such an alternative treatment.

With respect to payments on the Notes made to Italian resident Noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 26 per cent. levied as a final tax or a provisional tax (“*a titolo d'imposta o a titolo di acconto*”) depending

on the “status” of the Noteholder, pursuant to Presidential Decree 29 September 1973, No. 600, as subsequently amended. In the case of payments to non-Italian resident Noteholders, the withholding tax should be final. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian residents, subject to compliance with relevant subjective and procedural requirements.

In accordance with another interpretation, any such payment made by the Italian resident guarantor should be treated, in certain circumstances, as a payment by the relevant Issuer and should thus be subject to the tax regime described in the previous paragraphs of this section.

### Capital Gains Tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable business income subject to ordinary taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realized by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected, any capital gain realized by such Noteholder from the sale or redemption of the Notes would be subject to a 26 per cent. capital gains tax (“*imposta sostitutiva sulle plusvalenze*”).

In respect of the application of *imposta sostitutiva sulle plusvalenze*, taxpayers may opt for one of the three regimes described below:

- (a) Under the tax declaration regime (“*regime della dichiarazione*”), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are effectively connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains (net of any incurred capital loss) realized by the Italian resident individual Noteholder holding the Notes. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realized in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay the *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realized in any of the four succeeding tax years. Pursuant to the provisions of Law Decree No. 66 of 24 April 2014, as converted with amendments by Law 23 June 2014, No. 89 (**Law 89**), capital losses may be carried forward to be offset against capital gains of the same nature realized after June 30, 2014 for an overall amount of:
  - (i) 48.08 per cent. of the relevant capital losses realized before January 1, 2012; (ii) 76.92 per cent. of the capital losses realized from January 1, 2012 to June 30, 2014.
- (b) As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity, Italian resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities, may elect to pay under the administrative savings regime (“*regime del risparmio amministrato*”) the *imposta sostitutiva sulle plusvalenze* separately on capital gains realized on each sale or redemption of the Notes. Such separate taxation of capital gains is allowed subject to:
  - (i) the Notes being deposited with Italian banks, SIMs or certain authorized financial intermediaries; and
  - (ii) an express election for the administrative savings regime being timely made in writing by the relevant Noteholder.

The depository must account for the *imposta sostitutiva sulle plusvalenze* in respect of capital gains realized on each sale or redemption of the Notes, net of any incurred capital loss.

The depository must also pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the administrative savings regime, where a sale or redemption of the Notes results in a capital loss, such capital loss may be deducted from capital gains

subsequently realized, within the same securities management, in the same tax year or in the following tax years up to the fourth. Pursuant to Law 89, capital losses may be carried forward to be offset against capital gains of the same nature realized after June 30, 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realized before January 1, 2012; (ii) 76.92 per cent. of the capital losses realized from January 1, 2012 to June 30, 2014. Under the administrative savings regime, the Noteholder is not required to report the capital gains in the annual tax return.

- (c) In the asset management regime, any capital gains realized by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity, Italian resident partnerships not carrying out commercial activities and Italian private or public institutions not carrying out mainly or exclusively commercial activities, who have entrusted the management of their financial assets (including the Notes) to an authorized intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realized, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorized intermediary. Any depreciation of the managed assets accrued at the year-end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Pursuant to Law 89, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of July 1, 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations in value registered before January 1, 2012; (ii) 76.92 per cent. of the depreciations in value registered from January 1, 2012 to June 30, 2014. The Noteholder is not required to declare the capital gains realized in the annual tax return.

Any capital gains realized by a Noteholder that is a Fund will be included in the result of the portfolio accrued at the end of the tax period. The Fund will not be subject to taxation on such results, but a withholding tax of 26 per cent. may apply on income of the Fund derived by unitholders or shareholders through distribution and/or redemption or disposal of the units and shares.

Any capital gains realized by a Noteholder who is an Italian real estate fund (complying with the definition as amended pursuant to Law Decree n. 78 of 31 May 2010, converted into Law n. 122 of 30 July 2010) or a Real Estate SICAF is subject neither to *imposta sostitutiva* on capital gains nor to any other income tax in the hands of the real estate fund or Real Estate SICAF. The income of the real estate fund or Real Estate SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Any capital gains realized by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. Pension Fund Tax.

Capital gains realized by non-Italian-resident Noteholders (without a permanent establishment in Italy to which the Notes are effectively connected) from the sale or redemption of Notes traded on regulated markets in Italy or abroad are not subject to the *imposta sostitutiva* on capital gains, regardless of whether the Notes are held in Italy. In such a case, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorized financial intermediary and elect to be subject to the asset management regime or are subject to the administrative savings regime according to Article 6 of Italian Legislative Decree 21 November 1997, No. 461, may be required to produce in due time to the Italian authorized financial intermediary an appropriate self-declaration that they are not resident in Italy for tax purposes.

Should the Notes not be traded on regulated markets, capital gains realized by non-Italian resident Noteholders from the sale or redemption of the same Notes might in certain circumstances be taxable in Italy if the Notes are held in Italy. However, non-Italian resident beneficial owners of Notes without a permanent establishment in Italy to which the Notes are effectively connected are not subject to the *imposta sostitutiva* on capital gains realized upon sale or redemption of the Notes, provided that the effective beneficiary: (i) is resident in a country which allows for a satisfactory exchange of information with Italy as currently listed in the Italian Ministerial Decree dated 4 September, 1996 (amended and supplemented by Italian Ministerial Decree dated 9 August, 2016) (the **White List**); or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (iv) is an institutional investor, whether or not subject to tax, which is resident in a White List State. In such cases, in order to benefit from this exemption from Italian taxation on capital gains, non-Italian resident Noteholders who hold the Notes with an Italian authorized financial intermediary and elect to be subject to the asset management

regime or are subject to the administrative savings regime may be required to produce in due time to the Italian authorized financial intermediary an appropriate self-declaration stating that they meet the subjective requirements indicated above.

### **Inheritance and gift tax**

Transfers of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

- (a) 4 per cent. if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);
- (b) 6 per cent. if the transfer is made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);
- (c) 6 per cent. if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and
- (d) 8 per cent. in all other cases.

If the transfer is made in favor of persons with severe disabilities, the tax applies on the value exceeding €1,500,000.

### **Transfer tax**

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

### **Tax Monitoring Obligations**

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax the amount of investments (including Notes) directly or indirectly held abroad.

The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to be complied with in respect of Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, on the condition that the items of income derived from the Notes have been subject to tax by the same intermediaries and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a €15,000 threshold throughout the year.

### **Stamp Duty**

Pursuant to Article 13 par. 2/ter of the tariff Part I attached to Presidential Decree No. 642 of 26th October, 1972 (**Decree 642**), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to their clients in respect of any financial product and instrument (including the Notes), which may be deposited with such financial intermediary in Italy.

The stamp duty applies at a rate of 0.2 per cent. and it cannot exceed €14,000 for taxpayers which are not individuals. This stamp duty is determined on the basis of the market value or, if no market value figure is available, on the face value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of the financial assets held.

The statement is deemed to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release nor the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable based on the period accounted.

## **Wealth tax on financial assets deposited abroad**

According to Article 19 of Decree No. 201 of 6 December 2011, Italian resident individuals holding financial assets – Including the Notes – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. This tax is calculated on the market value at the end of the relevant year or, if no market value figure is available, on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) held abroad by Italian resident individuals.

A tax credit is granted for any foreign property tax levied abroad on such financial assets. The financial assets held abroad are excluded from the scope of the wealth tax if administered by Italian financial intermediaries pursuant to an administration agreement.

## **Taxation in the Netherlands**

This section outlines the principal Dutch tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes issued by Enel N.V. It does not present a comprehensive or complete description of all aspects of Dutch tax law which could be of relevance to a Noteholder. For Dutch tax purposes, a Noteholder may include an individual, or an entity, that does not hold the legal title of the Notes, but to whom nevertheless the Notes, or their income, are attributed based either on this individual or entity owning a beneficial interest in the Notes or based on specific statutory provisions. These include statutory provisions under which Notes are attributed to an individual who is, or who has directly or indirectly inherited from a person who was, the settlor, grantor or similar originator of a trust, foundation or similar entity that holds the Notes.

This section is intended as general information only. A prospective Noteholder should consult his own tax adviser regarding the tax consequences of any acquisition, holding or disposal of Notes.

This section is based on Dutch tax law as applied and interpreted by Dutch tax courts and as published and in effect on the date of the Offering Circular, including, for the avoidance of doubt, the tax rates applicable on that date, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

Any reference in this section made to Dutch taxes, Dutch tax or Dutch tax law must be construed as a reference to taxes of whatever nature levied by or on behalf of the Netherlands or any of its subdivisions or taxing authorities or to the law governing such taxes, respectively. The Netherlands means the part of the Kingdom of the Netherlands located in Europe.

Any reference made to a treaty for the avoidance of double taxation concluded by the Netherlands includes the Tax Regulation for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), the Tax Regulation for the country of the Netherlands (*Belastingregeling voor het land Nederland*), the Tax Regulation the Netherlands Curacao (*Belastingregeling Nederland Curacao*), the Tax Regulation the Netherlands Saint Martin (*Belastingregeling Nederland Sint Maarten*) and the Agreement between the Taipei Representative Office in the Netherlands and the Netherlands Trade and Investment Office in Taipei for the avoidance of double taxation.

This section does not describe the possible Dutch tax considerations or consequences that may be relevant to a Noteholder:

- (i) who is an individual and for whom the income or capital gains derived from the Notes are attributable to employment activities, the income from which is taxable in the Netherlands;
- (ii) which has a substantial interest (*aanmerkelijk belang*) or a fictitious substantial interest (*fictief aanmerkelijk belang*) in the Issuer within the meaning of chapter 4 or chapter 7 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally, a substantial interest in the Issuer arises if the Noteholder, alone or – in case of an individual – together with his partner, owns or holds certain rights to shares, including rights to directly or indirectly acquire shares, representing, directly or indirectly, 5% or more of the issued capital of the Issuer or of the issued capital of any class of shares;

(iii) that is an entity which under the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) (the **CITA**), is not subject to Dutch corporate income tax or is in full or in part exempt from Dutch corporate income tax (such as a qualifying pension fund); and

(iv) that is an investment institution (*beleggingsinstelling*) as described in Section 6a or 28 CITA.

### **Withholding Tax**

Any payments made under the Notes will not be subject to withholding or deduction for, or on account of, any Dutch taxes.

### **Taxes on Income and Capital Gains**

#### ***Residents of the Netherlands***

The description of certain Dutch tax consequences in this section is only intended for the following Noteholders:

- (i) individuals who are resident or deemed to be resident in the Netherlands (**Dutch Individuals**); and
- (ii) entities or enterprises that are subject to the CITA and are resident or deemed to be resident in the Netherlands (**Dutch Corporate Entities**).

#### ***Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities***

Dutch Individuals engaged or deemed to be engaged in an enterprise or in miscellaneous activities (*resultaat uit overige werkzaamheden*) are generally subject to income tax at statutory progressive rates with a maximum of 52% with respect to any benefits derived or deemed to be derived from the Notes, including any capital gains realized on their disposal, that are attributable to:

- (i) an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement (*medegerechtigde*) to the net worth of this enterprise other than as an entrepreneur or a shareholder; or
- (ii) miscellaneous activities, including, without limitation, activities which are beyond the scope of active portfolio investment activities (*meer dan normaal vermogensbeheer*).

#### ***Dutch Individuals not engaged or deemed to be engaged in an enterprise or in miscellaneous activities***

Generally, the Notes held by a Dutch Individual who is not engaged or deemed to be engaged in an enterprise or in miscellaneous activities, will be subject annually to an income tax imposed on a fictitious yield on the Notes. The Notes held by this Dutch Individual will be taxed under the regime for savings and investments (*inkomen uit sparen en beleggen*). Irrespective of the actual income or capital gains realized, the annual taxable benefit of the assets and liabilities of a Dutch Individual that are taxed under this regime, including the Notes, is set at a percentage of the positive balance of the fair market value of these assets, including the Notes, and the fair market value of these liabilities. The percentage increases:

- (i) from 2.87% of this positive balance up to EUR 75,000;
- (ii) to 4.60% of this positive balance of EUR 75,000 up to EUR 975,000; and
- (iii) to a maximum of 5.39% of this positive balance of EUR 975,000 or higher.

These percentages will be reassessed every year. No taxation occurs if this positive balance does not exceed a certain threshold (*heffingvrij vermogen*). The fair market value of assets, including the Notes, and liabilities that are taxed under this regime is measured, in general, exclusively on January 1<sup>st</sup> of every calendar year. The tax rate under the regime for savings and investments is a flat rate of 30%.

#### ***Dutch Corporate Entities***

Dutch Corporate Entities are generally subject to corporate income tax at statutory rates up to 25% with respect to any benefits derived or deemed to be derived from the Notes, including any capital gains realized on their disposal and any currency exchange rate fluctuations.

### ***Non-residents of the Netherlands***

The description of certain Dutch tax consequences in this section is only intended for the following Noteholders:

- (i) individuals who are not resident and not deemed to be resident in the Netherlands (**Non-Dutch Individuals**); and
- (ii) entities that are not resident and not deemed to be resident in the Netherlands (**Non-Dutch Corporate Entities**).

#### ***Non-Dutch Individuals***

A Non-Dutch Individual will not be subject to any Dutch taxes on income or capital gains in respect of the purchase, ownership and disposal or transfer of the Notes, unless:

- (i) the Non-Dutch Individual derives profits from an enterprise, whether as entrepreneur or pursuant to a co-entitlement to the net worth of this enterprise other than as an entrepreneur or a shareholder, which enterprise is, in whole or in part, carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) in the Netherlands, to which the Notes are attributable;
- (ii) the Non-Dutch Individual derives benefits from miscellaneous activities carried on in the Netherlands in respect of the Notes, including (without limitation) activities which are beyond the scope of active portfolio investment activities; or
- (iii) the Non-Dutch Individual is entitled to a share in the profits of an enterprise, other than by way of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

#### ***Non-Dutch Corporate Entities***

A Non-Dutch Corporate Entity will not be subject to any Dutch taxes on income or capital gains in respect of the purchase, ownership and disposal or transfer of the Notes, unless:

- (i) the Non-Dutch Corporate Entity derives profits from an enterprise, which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands, to which the Notes are attributable; or
- (ii) the Non-Dutch Corporate Entity is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, other than by way of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Under certain specific circumstances, Dutch taxation rights may be restricted for Non-Dutch Individuals and Non-Dutch Corporate Entities pursuant to treaties for the avoidance of double taxation.

### **Dutch Gift Tax or Inheritance Tax**

No Dutch gift tax or inheritance tax is due in respect of any gift of the Notes by, or inheritance of the Notes on the death of, a Noteholder, unless:

- (i) at the time of the gift or death of the Noteholder, the Noteholder is resident, or is deemed to be resident, in the Netherlands;
- (ii) the Noteholder dies within 180 days after the date of the gift of the Notes while being, or being deemed to be, resident in the Netherlands at the time of his death but not at the time of the gift; or
- (iii) the gift of the Notes is made under a condition precedent and the Noteholder is resident, or is deemed to be resident, in the Netherlands at the time the condition is fulfilled.

For purposes of Dutch gift tax or inheritance tax, an individual who is of Dutch nationality will be deemed to be resident in the Netherlands if this individual has been resident in the Netherlands at any time during the 10 years preceding the date of the gift or his death. For purposes of Dutch gift tax, any individual, irrespective of his

nationality, will be deemed to be resident in the Netherlands if this individual has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

**Other Taxes and Duties**

No other Dutch taxes, including taxes of a documentary nature, such as capital tax, stamp or registration tax or duty, are payable by Enel or by, or on behalf of, the Noteholder by reason only of the issue, acquisition or transfer of the Notes.

**Residency**

A Noteholder will not become resident, or deemed resident, in the Netherlands by reason only of holding the Notes.



## Certain ERISA considerations

The following is a summary of certain considerations associated with the purchase and holding of the Notes by employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (**ERISA**), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, **Similar Laws**), and entities whose underlying assets are considered to include “plan assets” (within the meaning of ERISA and any Similar Laws) of such plans, accounts and arrangements (each, a **Plan**).

### General fiduciary matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an **ERISA Plan**) and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of an ERISA Plan, or who renders investment advice to an ERISA Plan for a fee or other compensation (an **investment advice fiduciary**), is generally considered to be a fiduciary of the ERISA Plan.

When considering an investment in the Notes of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Laws relating to a fiduciary’s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any applicable Similar Laws.

### Prohibited transaction issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest,” within the meaning of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person, including a fiduciary, of an ERISA Plan who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The acquisition and/or holding of Notes by an ERISA Plan with respect to which the Issuer, a Guarantor or the initial purchaser is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. Included among these statutory exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code, which exempt certain transactions (including, without limitation, a sale and purchase of securities) between a Plan and a party in interest so long as (i) such party in interest is treated as such solely by reason of providing services to the Plan, (ii) such party in interest is not a fiduciary which renders investment advice, or has or exercises discretionary authority or control, with respect to the plan assets involved in such transaction, or an affiliate of any such person and (iii) the Plan neither receives less than nor pays more than “adequate consideration” (as defined in such Sections) in connection with such transaction. In addition, the U.S. Department of Labor (the **DOL**) has issued prohibited transaction class exemptions (**PTCEs**) that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. Furthermore, newly issued class exemptions, such as the “Best Interests Contract Exemption” (PTCE 2016-01) and the “Principal Transaction Exemption” (PTCE 2016-02), if they become effective, may provide relief for certain transactions involving investment advice fiduciaries. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Because of the foregoing, the Notes may not be purchased or held by any person investing “plan assets” of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or violate any applicable Similar Laws.

### **Representation**

Accordingly, by its acceptance of a note, each purchaser and subsequent transferee will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the Notes constitutes assets of any Plan or (ii) the purchase and holding of the Notes by such purchaser or transferee will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering investing in the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable.

## Subscription and sale

Barclays Capital Inc., BNP Paribas Securities Corp., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC, HSBC Securities (USA) Inc., J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. LLC, and Société Générale (together, the **Initial Purchasers**) are acting as joint bookrunners of the offering of the Notes. Pursuant to a purchase agreement (the **Purchase Agreement**) dated May 22, 2017, each of the Initial Purchasers has severally agreed to purchase, and the Issuer has agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite each Initial Purchaser's name in the following table:

Initial Purchaser	Principal Amount		
	2022 Notes	2027 Notes	2047 Notes
Barclays Capital Inc.....	US\$200,000,000	US\$200,000,000	US\$100,000,000
BNP Paribas Securities Corp.....	US\$200,000,000	US\$200,000,000	US\$100,000,000
Citigroup Global Markets Inc.....	US\$200,000,000	US\$200,000,000	US\$100,000,000
Credit Suisse Securities (USA) LLC.....	US\$200,000,000	US\$200,000,000	US\$100,000,000
Goldman Sachs & Co. LLC.....	US\$200,000,000	US\$200,000,000	US\$100,000,000
HSBC Securities (USA) Inc.....	US\$200,000,000	US\$200,000,000	US\$100,000,000
J.P. Morgan Securities LLC.....	US\$200,000,000	US\$200,000,000	US\$100,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	US\$200,000,000	US\$200,000,000	US\$100,000,000
Morgan Stanley & Co. LLC.....	US\$200,000,000	US\$200,000,000	US\$100,000,000
Société Générale.....	US\$200,000,000	US\$200,000,000	US\$100,000,000
<b>Total</b> .....	<b>US\$2,000,000,000</b>	<b>US\$2,000,000,000</b>	<b>US\$1,000,000,000</b>

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other customary closing conditions, the delivery of certain legal opinions by counsel. In the Purchase Agreement, the Issuer and the Guarantor have agreed to reimburse the Initial Purchasers for certain of their expenses in connection with the offering of the Notes and to indemnify the several Initial Purchasers against certain liabilities that may be incurred by them in connection therewith.

The Notes will constitute a new class of securities of the Issuer with no established trading market and the Notes will not be listed on any securities exchange. There can be no assurance that the prices at which the Notes will be sold in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised the Issuer that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, there can be no assurance as to the liquidity of or the trading market for the Notes.

The Initial Purchasers expect that delivery of the Notes will be made against payment therefor on or about the closing date, which will be the third New York business day following the date of pricing of the Notes.

During the period from the date hereof through and including the issue date of the Notes, the Issuer and the Guarantor have agreed that they will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of into the United States any debt securities denominated in U.S. dollars issued or guaranteed by the Issuer or the Guarantor and having a tenor of more than one year.

In connection with the offering, the Initial Purchasers may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sale of Notes in excess of the nominal amount of Notes to be purchased by the Initial Purchasers in this offering, which creates a short position for the Initial Purchasers. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of Notes made for the purpose of preventing a decline in the market price of the Notes while the offering is in progress. These activities may cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Initial Purchasers may conduct these transactions, in the over-the-counter market or otherwise. If the Initial Purchasers commence any of these transactions, they may discontinue them at any time.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Initial Purchasers and their respective affiliates have provided, and may in the future provide, a variety of these services to the Guarantor and its affiliates and to persons and entities with relationships with the Guarantor and its affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments, including serving as counterparties to certain derivative and hedging arrangements, and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Guarantor and its affiliates (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Guarantor and its affiliates. If any of the Initial Purchasers or their respective affiliates have a lending relationship with us, certain of those Initial Purchasers or their affiliates routinely hedge, and certain other of those Initial Purchasers or their respective affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these Initial Purchasers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **Selling restrictions**

### ***United States***

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act (**Regulation S**).

Each Initial Purchaser has represented and agreed that it will offer and sell the Notes (A) as part of its distribution at any time and (B) otherwise until 40 days after the later of the commencement of the offering of the Notes and the issue date of the Notes, only in accordance with Regulation S or Rule 144A under the Securities Act (**Rule 144A**). Each of the Initial Purchasers has further agreed that, at or prior to the confirmation of sale of any Notes sold in reliance on Regulation S (**Regulation S Notes**), such Initial Purchaser will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration that purchases Notes from it during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

Until 40 days after the later of the commencement of the offering of the Notes and the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will be eligible for resale to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Initial Purchasers may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The minimum aggregate principal amount of Notes which may be purchased pursuant to Rule 144A by a QIB is US\$200,000.

### ***United Kingdom***

Each of the Initial Purchasers has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### ***France***

The Offering Circular has not been prepared and is not being distributed in the context of a public offering of financial securities in France (*offre au public de titres financiers*) within the meaning of Article L.411-1 of the French Monetary and Financial Code and Title I of Book II of the *Règlement Général de l'Autorité des marchés financiers* (the French Financial Markets Authority) (the **AMF**). Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and neither the Offering Circular nor any offering or marketing materials relating to the Notes must be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

The Notes may only be offered or sold in France to qualified investors (*investisseurs qualifiés*) acting for their own account and/or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), all as defined in and in accordance with Articles L.411-1, L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and applicable regulations thereunder.

Prospective investors are informed that:

- (i) the Offering Circular has not been and will not be submitted for clearance to the AMF;
- (ii) in compliance with Articles L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code, any qualified investors subscribing for the Notes should be acting for their own account; and
- (iii) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Monetary and Financial Code.

### ***Republic of Italy***

The offering of Notes has not been registered with the Commissione Nazionale per le Società e la Borsa (**CONSOB**) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to any Notes be distributed in the Republic of Italy, except, in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations:

- (i) to qualified investors (*investitori qualificati*), referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (Regulation No. 11971); or
- (ii) in other circumstances which are exempted from the rules on public offerings, pursuant to Article 100 of the Financial Services Act and Article 34-*ter*, first paragraph of Regulation No. 11971.

In any event, any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy must be in compliance with the selling restrictions under paragraphs (i) or (ii) above and must be:

- a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Unified Financial Act, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (the Banking Act) (in each case, as amended from time to time); and
- b) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB and/or the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian competent authority.

#### *Provisions relating to the secondary market*

In accordance with Article 100-*bis* of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs 1 and 2 above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors. Furthermore, where the Notes are placed solely with professional investors and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and to claim damages from any authorized person at whose premises the Notes were purchased, unless an exemption provided for under the Financial Services Act applies.

#### ***Canada***

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the Offering Circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering of the Notes.

## ***Singapore***

This Offering Circular has not been, and will not be, registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, must not be issued, circulated or distributed nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (a) to an institutional investor under section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**);
- (b) to a relevant person pursuant to section 275(1), or any person pursuant to section 275(1A), and in accordance with the conditions specified in sections 275, of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest in that trust shall not be transferred within six (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

By accepting this Offering Circular the recipient hereof represents and warrants that he is entitled to receive such report in accordance with the restrictions set forth above and agrees to be bound by the limitations contained herein. Any failure to comply with these limitations may constitute a violation of law.

## ***Hong Kong***

Each of the Initial Purchasers has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document

relating to the Notes, which is directed at, or the contents of which are likely to be assessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (the **FIEA**) and each of the Initial Purchasers and each of its affiliates has represented and agreed that it has not offered or sold and it will not offer or sell any notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and any other applicable laws, regulations, and ministerial guidelines of Japan. As used in this paragraph, “resident of Japan” means a natural person having his/her place of domicile or residence in Japan, or a legal person having its main office in Japan. A branch, agency or other office in Japan of a non-resident, irrespective of whether it is legally authorized to represent its principal or not, shall be deemed to be a resident of Japan even if its main office is in any other country than Japan.

If an offeree does not fall under a “qualified institutional investor” (*tekikaku kikan toshika*), as defined in Article 10, Paragraph 1 of the Cabinet Office Ordinance Concerning Definition Provided in Article 2 of the Financial Instruments and Exchange Law (**Qualified Institutional Investor**), the Notes will be offered in Japan by a private placement to small number of investors (*shoninzu muke kanyu*), as provided under Article 23-13, Paragraph 4 of the FIEA, and accordingly, the filing of a securities registration statement for a public offering pursuant to Article 4, Paragraph 1 of the FIEA has not been made. Such offeree or purchaser of the Notes is prohibited from transferring the Notes except in the case of a transfer of such Notes in whole to a single transferee. Further, any such transferee is also prohibited from transferring the Notes except in the case of a transfer of such Notes in whole to a single transferee. If an offeree falls under the Qualified Institutional Investor, the Notes will be offered in Japan by a private placement to the Qualified Institutional Investors (*tekikaku kikan toshokamuke kanyu*), as provided under Article 23-13, Paragraph 1 of the FIEA, and accordingly, the filing of a securities registration statement for a public offering pursuant to Article 4, Paragraph 1 of the FIEA has not been made. Such offeree who subscribes the Notes (the **QII Notes**) or purchaser of the QII Notes will be prohibited from transferring its QII Notes other than to another Qualified Institutional Investor. Furthermore, any such transferee of the QII Notes will also be prohibited from transferring its QII Notes other than to another Qualified Institutional Investor.

### ***The Netherlands***

The Notes are and may not be offered in the Netherlands other than to persons or entities who or which are qualified investors (*gekwalificeerde beleggers*) (as defined in Section 1:1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*)).

### ***European Economic Area***

The Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a Prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated by the Offering Circular may only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.



## General

Each of the Initial Purchasers has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular and has obtained and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor nor any of the other Initial Purchasers shall have any responsibility therefor.

None of the Issuer, the Guarantor nor the Initial Purchasers represents that the Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## Sale and transfer restrictions

*As a result of the following restrictions, purchasers of the Notes are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of the Notes.*

Each purchaser of an interest in the Notes, by its acceptance thereof, will be deemed to have acknowledged, represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

1. that (a) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (b) it is outside the United States and is not a U.S. person;
2. that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes and the Guarantee have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered, sold, pledged, or otherwise transferred except as set forth below;
3. that, if it holds an interest in a Rule 144A Global Note, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so only (a) to the Issuer or any affiliate thereof, (b) for so long as the Notes are eligible for resale pursuant to Rule 144A, inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or Rule 904 under Regulation S under the Securities Act, or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction;
4. it will, and will require each subsequent holder to, notify each person to whom it transfers the Notes of the resale restrictions referred to in paragraph (3) above, if then applicable;
5. that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes and that the Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
6. that the Rule 144A Global Notes will bear a legend to the following effect, unless otherwise agreed to by the Issuer:

THIS SECURITY AND THE GUARANTEE IN RESPECT HEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, WHICH IS ONE

YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY): (1) REPRESENTS THAT IT, AND ANY ACCOUNT FOR WHICH IT IS ACTING, IS A "QUALIFIED INSTITUTIONAL BUYER" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A")) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT; AND (2) AGREES FOR THE BENEFIT OF THE ISSUER THAT IT WILL NOT OFFER, SELL, PLEDGE, OR OTHERWISE TRANSFER THIS SECURITY OR THE GUARANTEE IN RESPECT HEREOF OR ANY BENEFICIAL INTEREST HEREIN OR THEREIN, EXCEPT: (A) TO THE ISSUER OR ANY AFFILIATE THEREOF, (B) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER REGULATION S UNDER THE SECURITIES ACT OR (D) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR THE GUARANTEE IN RESPECT HEREOF IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS RESTRICTIVE LEGEND. AS USED HEREIN, THE TERMS "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATIONS UNDER THE SECURITIES ACT. EACH OF THE ISSUER AND THE GUARANTOR SHALL USE ITS REASONABLE ENDEAVOURS TO ENSURE THAT NO NOTE ACQUIRED BY IT OR BY ANY AFFILIATE (AS DEFINED IN RULE 144A) OF IT IS RESOLD BY THE ACQUIRER, EXCEPT TO THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE AFFILIATES (AS SO DEFINED), UNLESS, UPON COMPLETION OF SUCH SALE, SUCH NOTE WOULD NOT BE A RESTRICTED SECURITY WITHIN THE MEANING OF RULE 144A.

7. if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Notes prior to the expiration of the distribution compliance period (defined as 40 days after the later of the commencement of the offering and the issue date of the Notes), and except in either case in accordance with Regulation S under the Securities Act, it will do so only (a) to the Issuer or any affiliate thereof, (b) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A in a transaction meeting the requirements of Rule 144A, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect, unless otherwise agreed to by the Issuer:

THIS SECURITY AND THE GUARANTEE IN RESPECT HEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER: (1) AGREES THAT DURING THE DISTRIBUTION COMPLIANCE PERIOD, WHICH IS THE 40 DAY PERIOD COMMENCING ON THE LATER OF THE DATE OF COMMENCEMENT OF THE DISTRIBUTION OF THE NOTES AND THE DATE OF THE ORIGINAL ISSUE OF THE NOTES, IT WILL NOT OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY OR GUARANTEE EXCEPT (A) TO THE ISSUER OR ANY AFFILIATE THEREOF, (B) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN

COMPLIANCE WITH RULE 903 OR RULE 904 UNDER REGULATION S UNDER THE SECURITIES ACT OR (D) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION AND (3) AGREES, DURING SUCH DISTRIBUTION COMPLIANCE PERIOD, THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR THE GUARANTEE IN RESPECT HEREOF IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS RESTRICTIVE LEGEND. AS USED HEREIN, THE TERMS “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. EACH OF THE ISSUER AND THE GUARANTOR SHALL USE ITS REASONABLE ENDEAVOURS TO ENSURE THAT NO NOTE ACQUIRED BY IT OR BY ANY AFFILIATE (AS DEFINED IN RULE 144A) OF IT IS RESOLD BY THE ACQUIRER, EXCEPT TO THE ISSUER, THE GUARANTOR OR ANY OF THEIR RESPECTIVE AFFILIATES (AS SO DEFINED), UNLESS, UPON COMPLETION OF SUCH SALE, SUCH NOTE WOULD NOT BE A RESTRICTED SECURITY WITHIN THE MEANING OF RULE 144A; and

8. that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of legended Notes in the United States to any one purchaser will be for less than U.S.\$200,000 principal amount and no legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.\$200,000 of the Notes.

## **General information**

### **Authorization**

The issue of the Notes by Enel N.V. has been authorized by the board of directors of Enel N.V. on April 20, 2017.

### **Documents available**

So long as Notes are outstanding, copies of the following documents will, when published, be available for inspection in hard copy, without charge, from the registered office of the Issuer or the Guarantor and from the specified office of the Paying Agent for the time being in London:

- (i) the articles of association/by-laws (with an English translation thereof) of the Issuer and the Guarantor;
- (ii) the Agency Agreement, the Guarantee, the forms of the Global Notes and the Notes in definitive form;
- (iii) the Unaudited Condensed Consolidated Quarterly Financial Statements and the Audited Consolidated Financial Statements (in each case with an English translation thereof);
- (iv) a copy of this Offering Circular; and
- (v) any future supplements, prospectuses, information memoranda and supplements including this Offering Circular and any other documents incorporated herein or therein by reference.

### **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

### **Independent auditors**

The Audited Consolidated Financial Statements included herein have been audited by EY S.p.A. (formerly Reconta Ernst & Young S.p.A), as stated in the convenience translation into English of their reports appearing herein.

The Unaudited Condensed Consolidated Quarterly Financial Statements included herein have been reviewed by EY S.p.A., as stated in the convenience translation into English of their review report appearing herein.

### **Legal matters**

Sullivan & Cromwell LLP has advised Enel and Enel N.V. on certain U.S. and English law matters relating to the Notes. Chiomenti Studio Legale Associato has advised Enel and Enel N.V. on certain Italian legal matters related to the Notes. De Brauw Blackstone Westbroek has advised Enel and Enel N.V. on certain Dutch law matters relating to the Notes. Latham & Watkins (London) LLP has advised the Initial Purchasers on certain U.S., English and Italian legal matters relating to the Notes.

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# Financial statements

## Consolidated Income Statement

Millions of euro

Notes

		2016		2015	
		of which with related parties		of which with related parties	
<b>Revenue</b>					
Revenue from sales and services	7.a	68,604	4,550	73,076	5,583
Other revenue and income	7.b	1,988	20	2,582	314
	[Subtotal]	70,592		75,658	
<b>Costs</b>					
Electricity, gas and fuel purchases	8.a	32,039	6,603	37,644	7,089
Services and other materials	8.b	17,393	2,577	16,457	2,431
Personnel	8.c	4,637		5,313	
Depreciation, amortization and impairment losses	8.d	6,355		7,612	
Other operating expenses	8.e	2,783	312	2,654	54
Capitalized costs	8.f	(1,669)		(1,539)	
	[Subtotal]	61,538		68,141	
<b>Net income/(expense) from commodity contracts measured at fair value</b>	9	(133)	29	168	(24)
<b>Operating income</b>		8,921		7,685	
Financial income from derivatives	10	1,884		2,455	
Other financial income	11	2,289	21	1,563	15
Financial expense from derivatives	10	2,821		1,505	
Other financial expense	11	4,339	39	4,969	29
Share of income/(losses) of equity investments accounted for using the equity method	12	(154)		52	
<b>Income before taxes</b>		5,780		5,281	
Income taxes	13	1,993		1,909	
<b>Net income from continuing operations</b>		3,787		3,372	
<b>Net income from discontinued operations</b>		-		-	
<b>Net income for the year (shareholders of the Parent Company and non-controlling interests)</b>		3,787		3,372	
Attributable to shareholders of the Parent Company		2,570		2,196	
Attributable to non-controlling interests		1,217		1,176	
Basic earnings/(loss) per share attributable to shareholders of the Parent Company (euro)	14	0.26		0.23	
Diluted earnings/(loss) per share attributable to shareholders of the Parent Company (euro)	14	0.26		0.23	
Basic earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)	14	0.26		0.23	
Diluted earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)	14	0.26		0.23	



# Statement of Consolidated Comprehensive Income

Millions of euro

Notes

		2016	2015
<b>Net income for the year</b>		<b>3,787</b>	<b>3,372</b>
<b>Other comprehensive income recyclable to profit or loss (net of taxes)</b>			
Effective portion of change in the fair value of cash flow hedges		(34)	359
Share of the other comprehensive income of equity investments accounted for using the equity method		(18)	29
Change in the fair value of financial assets available for sale		(24)	25
Change in translation reserve		1,952	(1,743)
<b>Other comprehensive income not recyclable to profit or loss (net of taxes)</b>			
Remeasurement of net employee benefit liabilities/(assets)		(239)	184
<b>Total other comprehensive income/(loss) for the period</b>	32	<b>1,637</b>	<b>(1,146)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>5,424</b>	<b>2,226</b>
<b>Attributable to:</b>			
- shareholders of the Parent Company		3,237	2,191
- non-controlling interests		2,187	35

# Consolidated Balance Sheet

Millions of euro

Notes

<b>ASSETS</b>		<b>at Dec. 31, 2016</b>		at Dec. 31, 2015	
			<i>of which with related parties</i>		<i>of which with related parties</i>
<b>Non-current assets</b>					
Property, plant and equipment	15	76,265		73,307	
Investment property	18	124		144	
Intangible assets	19	15,929		15,235	
Goodwill	20	13,556		13,824	
Deferred tax assets	21	6,665		7,386	
Equity investments accounted for using the equity method	22	1,558		607	
Derivatives	23	1,609		2,343	
Other non-current financial assets	24	3,892		3,274	
Other non-current assets	25	706		877	
	<i>[Total]</i>	<b>120,304</b>		<b>116,997</b>	
<b>Current assets</b>					
Inventories	26	2,564		2,904	
Trade receivables	27	13,506	958	12,797	937
Income tax receivables		879		636	
Derivatives	23	3,945	18	5,073	
Other current financial assets	28	3,053	135	2,381	2
Other current assets	29	3,044	109	2,898	135
Cash and cash equivalents	30	8,290		10,639	
	<i>[Total]</i>	<b>35,281</b>		<b>37,328</b>	
<b>Assets classified as held for sale</b>	31	<b>11</b>		<b>6,854</b>	
<b>TOTAL ASSETS</b>		<b>155,596</b>		<b>161,179</b>	

Millions of euro

Notes

LIABILITIES AND SHAREHOLDERS' EQUITY		at Dec. 31, 2016		at Dec. 31, 2015	
		of which with related parties		of which with related parties	
Equity attributable to shareholders of the Parent Company					
Share capital		10,167		9,403	
Other reserves		5,152		3,352	
Retained earnings/(Loss carried forward)		19,484		19,621	
	[Total]	34,803		32,376	
Non-controlling interests		17,772		19,375	
Total shareholders' equity	32	52,575		51,751	
Non-current liabilities					
Long-term borrowings	33	41,336	1,072	44,872	1,161
Employee benefits	34	2,585		2,284	
Provisions for risks and charges - non-current	35	4,981		5,192	
Deferred tax liabilities	21	8,768		8,977	
Derivatives	23	2,532		1,518	
Other non-current liabilities	36	1,856	23	1,549	4
	[Total]	62,058		64,392	
Current liabilities					
Short-term borrowings	33	5,372		2,155	
Current portion of long-term borrowings	33	4,384	89	5,733	89
Provisions for risks and charges - current	35	1,433		1,630	
Trade payables	37	12,688	2,921	11,775	2,911
Income tax payable		359		585	
Derivatives	23	3,322	11	5,509	
Other current financial liabilities	38	1,264		1,063	
Other current liabilities	40	12,141	28	11,222	14
	[Total]	40,963		39,672	
Liabilities included in disposal groups classified as held for sale	31	-		5,364	
Total liabilities		103,021		109,428	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		155,596		161,179	

# Statement of Changes in Consolidated Shareholders' Equity (note 32)

Share capital and reserves attributable to shareholders of the Parent Company

	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve from translation of financial statements in currencies other than euro	Reserve from measurement of cash flow hedge financial instruments	Reserve from measurement of financial instruments AFS
<b>At January 1, 2015</b>	<b>9,403</b>	<b>5,292</b>	<b>1,881</b>	<b>2,262</b>	<b>(1,321)</b>	<b>(1,806)</b>	<b>105</b>
Distributions of dividends and interim dividends	-	-	-	-	-	-	-
Transactions in non-controlling interests	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	(635)	465	25
of which:							
- other comprehensive income/(loss) for the period	-	-	-	-	(635)	465	25
- net income/(loss) for the period	-	-	-	-	-	-	-
<b>At December 31, 2015</b>	<b>9,403</b>	<b>5,292</b>	<b>1,881</b>	<b>2,262</b>	<b>(1,956)</b>	<b>(1,341)</b>	<b>130</b>
Distributions of dividends and interim dividends	-	-	-	-	-	-	-
Allocation of net income for the previous year	-	-	153	-	-	-	-
Capital increase for non-proportional demerger of Enel Green Power	764	2,197	-	-	119	(31)	-
Transactions in non-controlling interests	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	(136)	21	-
Comprehensive income for the period	-	-	-	-	968	(97)	(24)
of which:							
- other comprehensive income/(loss) for the period	-	-	-	-	968	(97)	(24)
- net income/(loss) for the period	-	-	-	-	-	-	-
<b>At December 31, 2016</b>	<b>10,167</b>	<b>7,489</b>	<b>2,034</b>	<b>2,262</b>	<b>(1,005)</b>	<b>(1,448)</b>	<b>106</b>

Reserve from equity investments accounted for using the equity method	Reserve from remeasurement of net liabilities/ (assets) of defined benefit plans	Reserve from disposal of equity interests without loss of control	Reserve from acquisitions of non-controlling interests	Retained earnings/(Loss carried forward)	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total shareholders' equity
<b>(74)</b>	<b>(671)</b>	<b>(2,113)</b>	<b>(193)</b>	<b>18,741</b>	<b>31,506</b>	<b>19,639</b>	<b>51,145</b>
-	-	-	-	(1,316)	<b>(1,316)</b>	<b>(767)</b>	<b>(2,083)</b>
-	-	(2)	(3)	-	<b>(5)</b>	<b>469</b>	<b>464</b>
-	-	-	-	-	-	<b>(1)</b>	<b>(1)</b>
20	120	-	-	2,196	<b>2,191</b>	<b>35</b>	<b>2,226</b>
					-		
20	120	-	-	-	<b>(5)</b>	<b>(1,141)</b>	<b>(1,146)</b>
-	-	-	-	2,196	<b>2,196</b>	<b>1,176</b>	<b>3,372</b>
<b>(54)</b>	<b>(551)</b>	<b>(2,115)</b>	<b>(196)</b>	<b>19,621</b>	<b>32,376</b>	<b>19,375</b>	<b>51,751</b>
-	-	-	-	(2,542)	<b>(2,542)</b>	<b>(1,032)</b>	<b>(3,574)</b>
-	-	-	-	(153)	-	-	-
-	1	-	(974)	(12)	<b>2,064</b>	<b>(2,106)</b>	<b>(42)</b>
-	-	(283)	-	-	<b>(283)</b>	<b>(266)</b>	<b>(549)</b>
49	17	-	-	-	<b>(49)</b>	<b>(386)</b>	<b>(435)</b>
(7)	(173)	-	-	2,570	<b>3,237</b>	<b>2,187</b>	<b>5,424</b>
(7)	(173)	-	-	-	<b>667</b>	<b>970</b>	<b>1,637</b>
-	-	-	-	2,570	<b>2,570</b>	<b>1,217</b>	<b>3,787</b>
<b>(12)</b>	<b>(706)</b>	<b>(2,398)</b>	<b>(1,170)</b>	<b>19,484</b>	<b>34,803</b>	<b>17,772</b>	<b>52,575</b>

# Consolidated Statement of Cash Flows

Millions of euro

Notes

		2016		2015	
			<i>of which with related parties</i>		<i>of which with related parties</i>
<b>Income before taxes for the year</b>		<b>5,780</b>		<b>5,281</b>	
<b>Adjustments for:</b>					
Depreciation, amortization and impairment losses	8.d	6,355		7,612	
Financial (income)/expense	10-11	2,987		2,456	
Net income of equity investments accounting for using the equity method	12	154		(52)	
Changes in net working capital:		662		(1,249)	
- inventories	26	413		274	
- trade receivables	27	(959)	(21)	(2,329)	283
- trade payables	37	1,149	10	(581)	(248)
- other assets/liabilities		59	(81)	1,387	(6)
Accruals to provisions		772		1,137	
Utilization of provisions		(1,553)		(1,243)	
Interest income and other financial income collected	10-11	1,544	21	1,715	15
Interest expense and other financial expense paid	10-11	(4,343)	(39)	(4,326)	(29)
(Income)/Expense from measurement of commodity contracts		(278)		142	
Income taxes paid	13	(1,959)		(1,516)	
(Gains)/Losses on disposals		(274)		(385)	
<b>Cash flows from operating activities (A)</b>		<b>9,847</b>		<b>9,572</b>	
Investments in property, plant and equipment	15	(7,927)		(7,000)	
Investments in intangible assets	19	(915)		(762)	
Investments in entities (or business units) less cash and cash equivalents acquired	5	(382)		(78)	
Disposals of entities (or business units) less cash and cash equivalents sold	5	1,032		1,350	
(Increase)/Decrease in other investing activities		105		69	
<b>Cash flows from investing/disinvesting activities (B)</b>		<b>(8,087)</b>		<b>(6,421)</b>	
Financial debt (new long-term borrowing)	33	2,339		1,474	
Financial debt (repayments and other net changes)	33	(4,049)	(89)	(5,015)	(89)
Transactions in non-controlling interests	32	(257)		456	
Dividends and interim dividends paid	32	(2,507)		(2,297)	
<b>Cash flows from financing activities (C)</b>		<b>(4,474)</b>		<b>(5,382)</b>	
<b>Impact of exchange rate fluctuations on cash and cash equivalents (D)</b>		<b>250</b>		<b>(234)</b>	
<b>Increase/(Decrease) in cash and cash equivalents (A+B+C+D)</b>		<b>(2,464)</b>		<b>(2,465)</b>	
Cash and cash equivalents at beginning of the period <sup>(1)</sup>		10,790		13,255	
Cash and cash equivalents at the end of the period <sup>(2)</sup>		8,326		10,790	

(1) Of which cash and cash equivalents equal to €10,639 million at January 1, 2016 (€13,088 million at January 1, 2015), short-term securities equal to €1 million at January 1, 2016 (€140 million at January 1, 2015) and cash and cash equivalents pertaining to "Assets held for sale" equal to €150 million at January 1, 2016 (€27 million at January 1, 2015).

(2) Of which cash and cash equivalents equal to €8,290 million at December 31, 2016 (€10,639 million at December 31, 2015), short-term securities equal to €36 million at December 31, 2016 (€1 million at December 31, 2015) and cash and cash equivalents pertaining to "Assets held for sale" equal to €150 million at December 31, 2015.

# Notes to the consolidated financial statements

1

## Form and content of the financial statements

Enel SpA has its registered office in Viale Regina Margherita 137, Rome, Italy, and since 1999 has been listed on the Milan stock exchange. Enel is an energy multinational and is one of the world's leading integrated operators in the electricity and gas industries, with a special focus on Europe and Latin America.

The consolidated financial statements for the period ended December 31, 2016 comprise the financial statements of Enel SpA, its subsidiaries and Group holdings in associates and joint ventures, as well as the Group's share of the assets, liabilities, costs and revenue of joint operations ("the Group"). A list of the subsidiaries, associates, joint operations and joint ventures included in the scope of consolidation is attached.

The consolidated financial statements were approved for publication by the Board on March 16, 2017.

These financial statements have been audited by EY SpA.

## Basis of presentation

The consolidated financial statements for the year ended December 31, 2016 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation 2002/1606/EC and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as the "IFRS-EU".

The financial statements have also been prepared in conformity with measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005.

The consolidated financial statements consist of the con-

solidated income statement, the statement of consolidated comprehensive income, the consolidated balance sheet, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows and the related notes.

The assets and liabilities reported in the consolidated balance sheet are classified on a "current/non-current" basis, with separate reporting of assets held for sale and liabilities included in disposal groups held for sale. Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the Group or in the 12 months following the balance-sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Group or within the 12 months following the close of the financial year. The consolidated income statement is classified on the basis of the nature of costs, with separate reporting of net income/(loss) from continuing operations and net income/(loss) from discontinued operations attributable to shareholders of the Parent Company and to non-controlling interests.

The indirect method is used for the consolidated cash flow statement, with separate reporting of any cash flows by operating, investing and financing activities associated with discontinued operations.

In particular, although the Group does not diverge from the provisions of IAS 7 in the classification of items:

- > cash flows from operating activities report cash flows from core operations, interest on loans granted and obtained and dividends received from joint ventures or associates;
- > investing/disinvesting activities comprise investments in property, plant and equipment and intangible assets and disposals of such assets, including the effects of business combinations in which the Group acquires or loses control of companies, as well as other minor investments;
- > cash flows from financing activities include cash flows generated by liability management transactions, dividends paid to non-controlling interests by the Parent Company or other consolidated companies and the effects of transactions in non-controlling interests that do not change the status of control of the companies involved;

- > a separate item is used to report the impact of exchange rates on cash and cash equivalents and their impact on profit or loss is eliminated in full in order to neutralize the effect on cash flows from operating activities.

For more information on cash flows as reported in the statement of cash flows, please see the note on “cash flows” in the report on operations.

The income statement, the balance sheet and the statement of cash flows report transactions with related parties, the definition of which is given in the next section below.

The consolidated financial statements have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRS-EU, as explained in the measurement bases applied to each individual item, and of non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

The consolidated financial statements are presented in euro, the functional currency of the Parent Company Enel SpA. All figures are shown in millions of euro unless stated otherwise. The consolidated financial statements provide comparative information in respect of the previous period.

## 2

# Accounting policies and measurement criteria

## Use of estimates and management judgment

Preparing the consolidated financial statements under IFRS-EU requires management to take decisions and make estimates and assumptions that may impact the value of revenue, costs, assets and liabilities and the related disclosures concerning the items involved as well as contingent assets and liabilities at the balance-sheet date. The estimates and management’s judgments are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected through profit or loss if they only involve that period. If the revision involves both the current and future periods, the change is

recognized in the period in which the revision is made and in the related future periods.

In order to enhance understanding of the financial statements, the following sections examine the main items affected by the use of estimates and the cases that reflect management judgments to a significant degree, underscoring the main assumptions used by managers in measuring these items in compliance with the IFRS-EU. The critical element of such valuations is the use of assumptions and professional judgments concerning issues that are by their very nature uncertain.

Changes in the conditions underlying the assumptions and judgments could have a substantial impact on future results.

## Use of estimates

### Revenue recognition

Revenue from sales to customers is recognized when the risks and rewards of the good sold or the service rendered are substantially transferred and are measured on the basis of the fair value of the consideration received or receivable. Revenue from sales of electricity and gas to retail customers is recognized at the time the electricity or gas is supplied and includes, in addition to amounts invoiced on the basis of periodic meter readings (pertaining to the year), an estimate of the value of electricity and gas sold during the period but not yet invoiced, which is equal to the difference between the amount of electricity and gas delivered to the distribution network and that invoiced in the period, taking account of any network losses. Revenue between the date of the last meter reading and the end of the year is based on estimates of the daily consumption of individual customers calculated on the basis of their consumption record, adjusted to take account of weather conditions and other factors that may affect estimated consumption.

### Pension plans and other post-employment benefits

Some of the Group’s employees participate in pension plans offering benefits based on their wage history and years of service.

Certain employees are also eligible for other post-employment benefit schemes.

The expenses and liabilities of such plans are calculated on the basis of estimates carried out by consulting actuaries, who use a combination of statistical and actuarial elements in their calculations, including statistical data on past years and forecasts of future costs.

Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions



concerning future developments in discount rates, the rate of wage increases, the inflation rate and trends in the cost of medical care.

These estimates can differ significantly from actual developments owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in the effective cost of medical care.

Such differences can have a substantial impact on the quantification of pension costs and other related expenses.

### **Recoverability of non-current assets**

The carrying amount of non-current assets is reviewed periodically and wherever circumstances or events suggest that a review is necessary. Goodwill is reviewed at least annually. Such assessments of the recoverable amount of assets are carried out in accordance with the provisions of IAS 36, as described in greater detail in note 20 below.

In particular, the recoverable amount of non-current assets and goodwill is based on estimates and assumptions used in order to determine the amount of cash flow and the discount rates applied. Where the value of non-current assets is considered to be impaired, it is written down to the recoverable value, as estimated on the basis of the use of the assets and their possible future disposal, in accordance with the Company's most recent approved plan.

The factors used in the calculation of the recoverable amount are discussed in more detail in the section "Impairment of non-financial assets". Nevertheless, possible changes in the estimation of the factors on which the calculation of such values is performed could generate different recoverable values. The analysis of each group of non-current assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the specific circumstances.

### **Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012**

Law 134 of August 7, 2012 containing "urgent measures for growth" (published in the Gazzetta Ufficiale of August 11, 2012) introduced a sweeping overhaul of the rules governing hydroelectric concessions. Among its various provisions, the law establishes that five years before the expiration of a major hydroelectric water diversion concession and in cases of lapse, relinquishment or revocation, where there is no prevailing public interest for a different use of the water, incompatible with its use for hydroelectric generation, the competent public entity shall organize a public call for tender for the

award for consideration of the concession for a period ranging from 20 to a maximum of 30 years.

In order to ensure operational continuity, the law also governs the methods of transfer ownership of the business unit necessary to operate the concession, including all legal relationships relating to the concession, from the outgoing concession holder to the new concession holder, in exchange for payment of a price to be determined in negotiations between the departing concession holder and the grantor agency, taking due account of the following elements:

- > for intake and governing works, penstocks and outflow channels, which under the consolidated law governing waters and electrical plants are to be relinquished free of charge (Article 25 of Royal Decree 1775 of December 11, 1933), the revalued cost less government capital grants, also revalued, received by the concession holder for the construction of such works, depreciated for ordinary wear and tear;
- > for other property, plant and equipment, the market value, meaning replacement value, reduced by estimated depreciation for ordinary wear and tear.

While acknowledging that the new regulations introduce important changes as to the transfer of ownership of the business unit with regard to the operation of the hydroelectric concession, the practical application of these principles faces difficulties, given the uncertainties that do not permit the formulation of a reliable estimate of the value that can be recovered at the end of existing concessions (residual value).

Accordingly, management has decided to not attempt to formulate an estimate of residual value.

The fact that the legislation requires the new concession holder to make a payment to the departing concession holder prompted management to review the depreciation schedules for assets classified as to be relinquished free of charge prior to Law 134/2012 (until the year ended on December 31, 2011, given that the assets were to be relinquished free of charge, the depreciation period was equal to the closest date between the term of the concession and the end of the useful life of the individual asset), calculating depreciation no longer over the term of the concession but, if longer, over the economic and technical life of the individual assets. If additional information becomes available to enable the calculation of residual value, the carrying amounts of the assets involved will be adjusted prospectively.

### **Determining the fair value of financial instruments**

The fair value of financial instruments is determined on the basis of prices directly observable in the market, where available, or, for unlisted financial instruments, using specific

valuation techniques (mainly based on present value) that maximize the use of observable market inputs. In rare circumstances where this is not possible, the inputs are estimated by management taking due account of the characteristics of the instruments being measured.

In accordance with IFRS 13, the Group includes a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk, using the method discussed in note 45. Changes in the assumptions made in estimating the input data could have an impact on the fair value recognized for those instruments.

### **Recovery of deferred tax assets**

At December 31, 2016, the consolidated financial statements report deferred tax assets in respect of tax losses to be reversed in subsequent years and income components whose deductibility is deferred in an amount whose recovery is considered by management to be highly probable.

The recoverability of such assets is subject to the achievement of future profits sufficient to absorb such tax losses and to use the benefits of the other deferred tax assets.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies and the tax rates applicable at the date of reversal. However, where the Group should become aware that it is unable to recover all or part of recognized tax assets in future years, the consequent adjustment would be taken to the income statement in the year in which this circumstance arises.

### **Litigation**

The Enel Group is involved in various legal disputes regarding the generation, transport and distribution of electricity. In view of the nature of such litigation, it is not always objectively possible to predict the outcome of such disputes, which in some cases could be unfavorable.

Provisions have been recognized to cover all significant liabilities for cases in which legal counsel feels an adverse outcome is likely and a reasonable estimate of the amount of the loss can be made.

### **Obligations associated with generation plants, including decommissioning and site restoration**

Generation activities may entail obligations for the operator with regard to future interventions that will have to be per-

formed following the end of the operating life of the plant.

Such interventions may involve the decommissioning of plants and site restoration, or other obligations linked to the type of generation technology involved. The nature of such obligations may also have a major impact on the accounting treatment used for them.

In the case of nuclear power plants, where the costs regard both decommissioning and the storage of waste fuel and other radioactive materials, the estimation of the future cost is a critical process, given that the costs will be incurred over a very long span of time, estimated at up to 100 years.

The obligation, based on financial and engineering assumptions, is calculated by discounting the expected future cash flows that the Group considers it will have to pay to meet the obligations it has assumed.

The discount rate used to determine the present value of the liability is the pre-tax risk-free rate and is based on the economic parameters of the country in which the plant is located.

That liability is quantified by management on the basis of the technology existing at the measurement date and is reviewed each year, taking account of developments in storage, decommissioning and site restoration technology, as well as the ongoing evolution of the legislative framework governing health and environmental protection.

Subsequently, the value of the obligation is adjusted to reflect the passage of time and any changes in estimates.

### **Other**

In addition to the items listed above, the use of estimates regarded the fair value measurement of assets acquired and liabilities assumed in business combinations. For these items, the estimates and assumptions are contained in the discussion of the accounting policies adopted.

## **Management judgments**

### **Identification of cash generating units (CGUs)**

In application of "IAS 36 - Impairment of assets", the goodwill recognized in the consolidated financial statements of the Group as a result of business combinations has been allocated to individual or groups of CGUs that will benefit from the combination. A CGU is the smallest group of assets that generates largely independent cash inflows.

In identifying such CGUs, management took account of the specific nature of its assets and the business in which it is involved (geographical area, business area, regulatory framework, etc.), verifying that the cash flows of a given group of assets were closely independent and largely autonomous

of those associated with other assets (or groups of assets). The assets of each CGU were also identified on the basis of the manner in which management manages and monitors those assets within the business model adopted. For a more extensive discussion, please see notes 4 and 5 below and the discussion in the section on “Results by business area” in the report on operations.

The CGUs identified by management to which the goodwill recognized in these consolidated financial statements has been allocated are indicated in the section on intangible assets, to which the reader is invited to refer.

The number and scope of the CGUs are updated systematically to reflect the impact of new business combinations and reorganizations carried out by the Group, and to take account of external factors that could impact the ability of groups of assets to generate independent cash flows.

### **Determination of the existence of control**

Under the provisions of IFRS 10, control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is defined as the current ability to direct the relevant activities of the investee based on existing substantive rights.

The existence of control does not depend solely on ownership of a majority shareholding, but rather it arises from substantive rights that each investor holds over the investee. Consequently, management must use its judgment in assessing whether specific situations determine substantive rights that give the Group the power to direct the relevant activities of the investee in order to affect its returns.

For the purpose of assessing control, management analyses all facts and circumstances including any agreements with other investors, rights arising from other contractual arrangements and potential voting rights (call options, warrants, put options granted to non-controlling shareholders, etc.). These other facts and circumstances could be especially significant in such assessment when the Group holds less than a majority of voting rights, or similar rights, in the investee.

Following such analysis of the existence of control, which had already been done in previous years under the provisions of the then-applicable IAS 27, the Group consolidated certain companies (Emgesa and Codensa) on a line-by-line basis even though it did not hold more than half of the voting rights. That approach was maintained in the assessment carried out in application of IFRS 10 on the basis of the requirements discussed above, as detailed in the attachment “Subsidiaries, associates and other significant equity invest-

ments of the Enel Group at December 31, 2016” to these financial statements.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of control.

Finally, the assessment of the existence of control did not find any situations of de facto control.

### **Determination of the existence of joint control and of the type of joint arrangement**

Under the provisions of IFRS 11, a joint arrangement is an agreement where two or more parties have joint control.

Joint control exists when the decisions over the relevant activities require the unanimous consent of at least two parties of a joint arrangement.

A joint arrangement can be configured as a joint venture or a joint operation. Joint ventures are joint arrangements whereby the parties that have joint control have rights to the net assets of the arrangement. Conversely, joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement.

In order to determine the existence of the joint control and the type of joint arrangement, management must apply judgment and assess its rights and obligations arising from the arrangement. For this purpose, the management considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

Following that analysis, the Group has considered its interest in Asociación Nuclear Ascó-Vandellós II as a joint operation.

The Group re-assesses whether or not it has joint control if facts and circumstances indicate that changes have occurred in one or more of the elements considered in verifying the existence of joint control and the type of the joint arrangement.

### **Determination of the existence of significant influence over an associate**

Associated companies are those in which the Group exercises significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee but not exercise control or joint control over those policies. In general, it is presumed that the Group has a significant influence when it has an ownership interest of 20% or more.

In order to determine the existence of significant influence,

management must apply judgment and consider all facts and circumstances.

The Group re-assesses whether or not it has significant influence if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of significant influence.

#### **Application of "IFRIC 12 - Service concession arrangements" to concessions**

"IFRIC 12 - Service concession arrangements" applies to "public-to-private" service concession arrangements, which can be defined as contracts under which the grantor transfers to a concession holder the right to deliver public services that give access to the main public facilities for a specified period of time in return for managing the infrastructure used to deliver those public services.

More specifically, IFRIC 12 applies to public-to-private service concession arrangements if the grantor:

- > controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- > controls – through ownership or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

In assessing the applicability of these provisions for the Group, management carefully analyzed existing concessions. On the basis of that analysis, the provisions of IFRIC 12 are applicable to some of the infrastructure of a number of companies in the Latin America Region that operate in Brazil (essentially Ampla and Coelce).

## **Related parties**

Related parties are mainly parties that have the same controlling entity as Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include entities that operate post-employment benefit plans for employees of Enel SpA or its associates (specifically, the FOPEN and FONDENEL pension funds), as well as the members of the boards of auditors, and their immediate family, and the key management personnel, and their immediate family, of Enel SpA and its subsidiaries. Key management personnel comprises management personnel who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company. They include directors.

## **Subsidiaries**

The Group controls an entity when it is exposed/has rights to variable returns deriving from its involvement and has the ability, through the exercise of its power over the investee, to affect its returns. Power is defined as when the investor has existing rights that give it the current ability to direct the relevant activities.

The figures of the subsidiaries are consolidated on a full line-by-line basis as from the date control is acquired until such control ceases.

## **Consolidation procedures**

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared at December 31, 2016 in accordance with the accounting policies adopted by the Parent Company.

If a subsidiary uses different accounting policies from those adopted in preparing the consolidated financial statements for similar transactions and facts in similar circumstances, appropriate adjustments are made to ensure conformity with Group accounting policies.

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in or excluded from the consolidated financial statements, respectively, from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and the other components of other comprehensive income are attributed to the owners of the Parent and non-controlling interests, even if this results in a loss for non-controlling interests.

All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full.

Changes in ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions, with the carrying amounts of the controlling and non-controlling interests adjusted to reflect changes in their interests in the subsidiary. Any difference between the fair value of the consideration paid or received and the corresponding fraction of equity acquired or sold is recognized in consolidated equity. When the Group ceases to have control over a subsidiary, any interest retained in the entity is remeasured to its fair value, recognized through profit or loss, at the date when control is lost. In addition, any amounts previously recognized in other comprehensive income in respect of the former subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities.

## Investments in joint arrangements and associates

A joint venture is an entity over which the Group exercises joint control and has rights to the net assets of the arrangement. Joint control is the sharing of control of an arrangement, whereby decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over the investee.

The Group's investments in its joint ventures and associates are accounted for using the equity method.

Under the equity method, these investments are initially recognized at cost and any goodwill arising from the difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities at the acquisition date is included in the carrying amount of the investment. Goodwill is not individually tested for impairment.

After the acquisition date, their carrying amount is adjusted to recognize changes in the Group's share of profit or loss of the associate or joint venture. The OCI of such investees is presented as specific items of the Group's OCI.

Distributions received from joint venture and associates reduce the carrying amount of the investments.

Profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate or joint venture. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount.

In the case of the Slovak Power Holding joint venture, any impairment losses are assessed by determining the recoverable value using the price formula specified in the agreement to sell the 66% stake in Slovenské elektrarne by Enel Produzione to EP Slovakia, which is based on various parameters, including the evolution of the net financial position of SE, developments in energy prices in the Slovakian

market, the operating efficiency of SE as measured on the basis of benchmarks defined in the contract and the enterprise value of Mochovce units 3 and 4.

If the investment ceases to be an associate or a joint venture, the Group recognizes any retained investment at its fair value, through profit or loss. Any amounts previously recognized in other comprehensive income in respect of the former associate or joint venture are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to exercise a significant influence or joint control, the Group continues to apply the equity method and the share of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction is accounted for as if the Group had directly disposed of the related assets or liabilities.

When a portion of an investment in an associate or joint venture meets the criteria to be classified as held for sale, any retained portion of an investment in the associate or joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion classified as held for sale takes place.

Joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. For each joint operation, the Group recognized assets, liabilities, costs and revenue on the basis of the provisions of the arrangement rather than the participating interest held.

## Translation of foreign currency items

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance-sheet exchange rate. Non-monetary assets and liabilities in foreign currency stated at cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction. Non-monetary assets and liabilities in foreign currency stated at fair value are translated using the exchange rate prevailing on the date that value was determined. Any exchange rate differences are recognized through profit or loss.



## Translation of financial statements denominated in a foreign currency

For the purposes of the consolidated financial statements, all profits/losses, assets and liabilities are stated in euro, which is the functional currency of the Parent Company, Enel SpA.

In order to prepare the consolidated financial statements, the financial statements of consolidated companies in functional currencies other than the presentation currency used in the consolidated financial statements are translated into euro by applying the relevant period-end exchange rate to the assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period, which approximates the exchange rates prevailing at the date of the respective transactions, to the income statement items.

Any resulting exchange rate gains or losses are recognized as a separate component of equity in a special reserve. The gains and losses are recognized proportionately in the income statement on the disposal (partial or total) of the subsidiary.

## Business combinations

Business combinations initiated before January 1, 2010 and completed within that financial year are recognized on the basis of IFRS 3 (2004).

Such business combinations were recognized using the purchase method, where the purchase cost is equal to the fair value at the date of the exchange of the assets acquired and the liabilities incurred or assumed, plus costs directly attributable to the acquisition. This cost was allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values. Any positive difference between the cost of the acquisition and the fair value of the net assets acquired pertaining to shareholders of the Parent Company was recognized as goodwill. Any negative difference was recognized in profit or loss. The value of non-controlling interests was determined in proportion to the interest held by minority shareholders in the net assets. In the case of business combinations achieved in stages, at the date of acquisition any adjustment to the fair value of the net assets acquired previously was recognized in equity; the amount of goodwill was determined for each transaction separately based on the fair values of the acquiree's net assets at the date of each exchange transaction.

Business combinations carried out as from January 1, 2010

are recognized on the basis of IFRS 3 (2008), which is referred to as IFRS 3 (Revised) hereafter.

More specifically, business combinations are recognized using the acquisition method, where the purchase cost (the consideration transferred) is equal to the fair value at the purchase date of the assets acquired and the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Costs directly attributable to the acquisition are recognized through profit or loss.

This cost is allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values as at the acquisition date. Any positive difference between the price paid, measured at fair value as at the acquisition date, plus the value of any non-controlling interests, and the net value of the identifiable assets and liabilities of the acquiree measured at fair value is recognized as goodwill. Any negative difference is recognized in profit or loss.

The value of non-controlling interests is determined either in proportion to the interest held by minority shareholders in the net identifiable assets of the acquiree or at their fair value as at the acquisition date.

In the case of business combinations achieved in stages, at the date of acquisition of control the previously held equity interest in the acquiree is remeasured to fair value and any positive or negative difference is recognized in profit or loss. Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration classified as an asset or a liability that is a financial instrument within the scope of IAS 39 is recognized in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS-EU. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognized using such provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition, restating comparative figures.

## Fair value measurement

For all fair value measurements and disclosures of fair value,

that are either required or permitted by international accounting standards, the Group applies IFRS 13.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).

The fair value measurement assumes that the transaction to sell an asset or transfer a liability takes place in the principal market, i.e. the market with the greatest volume and level of activity for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place in the most advantageous market to which the Group has access, i.e. the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Market participants are independent, knowledgeable sellers and buyers who are able to enter into a transaction for the asset or the liability and who are motivated but not forced or otherwise compelled to do so.

When measuring fair value, the Group takes into account the characteristics of the asset or liability, in particular:

- > for a non-financial asset, a fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use;
- > for liabilities and own equity instruments, the fair value reflects the effect of non-performance risk, i.e. the risk that an entity will not fulfill an obligation;
- > in the case of groups of financial assets and financial liabilities with offsetting positions in market risk or credit risk, managed on the basis of an entity's net exposure to such risks, it is permitted to measure fair value on a net basis.

In measuring the fair value of assets and liabilities, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenses directly attributable to

bringing the asset to the location and condition necessary for its intended use.

The cost is also increased by the present value of the estimate of the costs of decommissioning and restoring the site on which the asset is located where there is a legal or constructive obligation to do so. The corresponding liability is recognized under provisions for risks and charges. The accounting treatment of changes in the estimate of these costs, the passage of time and the discount rate is discussed under "Provisions for risks and charges."

Property, plant and equipment transferred from customers to connect them to the electricity distribution network and/or to provide them with ongoing access to a supply of electricity is initially recognized at its fair value at the time of the transfer.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the assets themselves. Borrowing costs associated with the purchase/construction of assets that do not meet such requirement are expensed in the period in which they are incurred.

Certain assets that were revalued at the IFRS-EU transition date or in previous periods are recognized at their fair value, which is considered to be their deemed cost at the revaluation date.

Where individual items of major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately.

Subsequent costs are recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits associated with the cost incurred to replace a part of the asset will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as incurred.

The cost of replacing part or all of an asset is recognized as an increase in the carrying amount of the asset and is depreciated over its useful life; the net carrying amount of the replaced unit is derecognized through profit or loss.

Property, plant and equipment, net of its residual value, is depreciated on a straight-line basis over its estimated useful life, which is reviewed annually and, if appropriate, adjusted prospectively. Depreciation begins when the asset is available for use.

The estimated useful life of the main items of property, plant and equipment is as follows:

Civil buildings	20-70 years
Buildings and civil works incorporated in plants	20-85 years
Hydroelectric power plants:	
- penstock	20-75 years
- mechanical and electrical machinery	24-40 years
- other fixed hydraulic works	25-100 years
Thermal power plants:	
- boilers and auxiliary components	19-46 years
- gas turbine components	10-40 years
- mechanical and electrical machinery	10-45 years
- other fixed hydraulic works	10-66 years
Nuclear power plants	60 years
Geothermal power plants:	
- cooling towers	10-20 years
- turbines and generators	20-30 years
- turbine parts in contact with fluid	10-25 years
- mechanical and electrical machinery	20-22 years
Wind power plants:	
- towers	20-25 years
- turbines and generators	20-25 years
- mechanical and electrical machinery	15-25 years
Solar power plants:	
- mechanical and electrical machinery	15-40 years
Public and artistic lighting:	
- public lighting installations	18-25 years
- artistic lighting installations	20-25 years
Transmission lines	20-50 years
Transformer stations	10-60 years
Distribution plant:	
- high-voltage lines	30-50 years
- primary transformer stations	10-60 years
- low- and medium-voltage lines	23-50 years
Meters:	
- electromechanical meters	2-27 years
- electricity balance measurement equipment	2-35 years
- electronic meters	10-20 years

The useful life of leasehold improvements is determined on the basis of the term of the lease or, if shorter, on the duration of the benefits produced by the improvements themselves.

Land is not depreciated as it has an undetermined useful life. Assets recognized under property, plant and equipment are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net carrying amount of the derecognized assets.

## Assets to be relinquished free of charge

The Group's plants include assets to be relinquished free of charge at the end of the concessions. These mainly regard major water diversion works and the public lands used for the operation of the thermal power plants. For Italy, the concessions terminate between 2020 and 2040.

Within the Italian regulatory framework in force until 2011, if the concessions are not renewed, at those dates all intake and governing works, penstocks, outflow channels and other assets on public lands were to be relinquished free of charge to the State in good operating condition. Accordingly, depreciation on assets to be relinquished was calculated over the shorter of the term of the concession and the remaining useful life of the assets.

In the wake of the legislative changes introduced with Law 134 of August 7, 2012, the assets previously classified as assets "to be relinquished free of charge" connected with the hydroelectric water diversion concessions are now considered in the same manner as other categories of "property, plant and equipment" and are therefore depreciated over the economic and technical life of the asset (where this exceeds the term of the concession), as discussed in the section above on the "Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012," which you are invited to consult for more details.

In accordance with Spanish laws 29/1985 and 46/1999, hydroelectric power stations in Spanish territory operate under administrative concessions at the end of which the plants will be returned to the Government in good operating condition. The terms of the concessions extend up to 2067.

A number of generation companies that operate in Argentina, Brazil and Mexico hold administrative concessions with similar conditions to those applied under the Spanish concession system. These concessions will expire in the period between 2017 and 2088.

## Infrastructure used in the service concession arrangement

As regards the distribution of electricity, the Group is a concession holder in Italy for this service. The concession, granted by the Ministry for Economic Development, was issued free of charge and terminates on December 31, 2030. If the concession is not renewed upon expiry, the grantor is required to pay an indemnity. The amount of the indemnity will be determined by agreement of the parties using appropriate valuation methods, based on both the balance-sheet value of the assets themselves and their profitability.



In determining the indemnity, such profitability will be represented by the present value of future cash flows. The infrastructure serving the concessions is owned and available to the concession holder. It is recognized under "Property, plant and equipment" and is depreciated over the useful lives of the assets.

Enel also operates under administrative concessions for the distribution of electricity in other countries (including Spain and Romania). These concessions give the right to build and operate distribution networks for an indefinite period of time.

## Infrastructure within the scope of "IFRIC 12 - Service concession arrangements"

Under a "public-to-private" service concession arrangement within the scope of "IFRIC 12 - Service concession arrangements" the operator acts as a service provider and, in accordance with the terms specified in the contract, it constructs/upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for the period of the concession.

The Group, as operator, does not recognize the infrastructure within the scope of IFRIC 12 as property, plant and equipment and it accounts for revenue and costs relating to construction/upgrade services as discussed in the section "Construction contracts". In particular, the Group measures the consideration received or receivable for the construction/upgrading of infrastructure at its fair value and, depending on the characteristics of the service concession arrangement, it recognizes:

- > a financial asset, if the operator has an unconditional contractual right to receive cash or another financial asset from the grantor (or from a third party at the direction of the grantor) and the grantor has little discretion to avoid payment. In this case, the grantor contractually guarantees to pay to the operator specified or determinable amounts or the shortfall between the amounts received from the users of the public service and specified or determinable amounts (defined by the contract), and such payments are not dependent on the usage of the infrastructure; and/or
- > an intangible asset, if the operator receives the right (a license) to charge users of the public service provided. In such a case, the operator does not have an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

If the Group (as operator) has a contractual right to receive

an intangible asset (the right to charge users of the public service), borrowing costs are capitalized using the criteria specified in the section "Property, plant and equipment". During the operating phase of concession arrangements, the Group accounts for operating service payments in accordance with criteria specified in the section "Revenue".

## Leases

The Group holds property, plant and equipment and intangible assets for its various activities under lease contracts.

These contracts are analyzed on the basis of the circumstances and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.

A finance lease is defined as a lease that transfers substantially all the risks and rewards incidental to ownership of the related asset to the lessee. All leases that do not meet the definition of a finance lease are classified as operating leases. On initial recognition assets held under finance leases are recognized as property, plant and equipment and the related liability is recognized under long-term borrowings. At inception date finance leases are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments due, including the payment required to exercise any purchase option.

The assets are depreciated on the basis of their useful lives. If it is not reasonably certain that the Group will acquire the assets at the end of the lease, they are depreciated over the shorter of the lease term and the useful life of the assets.

Payment made under operating lease are recognized as a cost on a straight-line basis over the lease term.

Although not formally designated as lease agreements, certain types of contract can be considered as such if the fulfillment of the arrangement is dependent on the use of a specific asset (or assets) and if the arrangement conveys a right to use such assets.

## Investment property

Investment property consists of the Group's real estate held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods and services.

Investment property is measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses.

Investment property, excluding land, is depreciated on a straight-line basis over the useful lives of the assets.

Impairment losses are determined on the basis of criteria discussed below.

The breakdown of the fair value of investment property is detailed in note 45 "Assets measured at fair value". Investment property is derecognized either at the time of its disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets.

## Intangible assets

Intangible assets are identifiable assets without physical substance controlled by the entity and capable of generating future economic benefits. They are measured at purchase or internal development cost when it is probable that the use of such assets will generate future economic benefits and the related cost can be reliably determined.

The cost includes any directly attributable expenses necessary to make the assets ready for their intended use.

Internal development costs are recognized as an intangible asset when both the Group is reasonably assured of the technical feasibility of completing the intangible asset and that the asset will generate future economic benefits and it has intention and ability to complete the asset and use or sell it.

Research costs are recognized as expenses.

Intangible assets with a finite useful life are reported net of accumulated amortization and any impairment losses.

Amortization is calculated on a straight-line basis over the item's estimated useful life, which is reassessed at least annually; any changes in amortization policies are reflected on a prospective basis. Amortization commences when the asset is ready for use. Consequently, intangible assets not yet available for use are not amortized, but are tested for impairment at least annually.

The Group's intangible assets have a definite useful life, with the exception of a number of concessions and goodwill.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is accounted for as a change in accounting estimate.

Intangible assets are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized

through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets. The estimated useful life of the main intangible assets, distinguishing between internally generated and acquired assets, is as follows:

Development costs:	
- internally generated	3-5 years
- acquired	3-5 years
Industrial patents and intellectual property rights:	
- internally generated	5 years
- acquired	3-25 years
Concessions, licenses, trademarks and similar rights:	
- internally generated	-
- acquired	2-60 years
Other:	
- internally generated	2-5 years
- acquired	3-40 years

## Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, as measured at fair value at the acquisition date, and the value of any non-controlling interests over the net fair value of the acquiree's identifiable assets and liabilities. After initial recognition, goodwill is not amortized, but is tested for recoverability at least annually using the criteria discussed in the section "Impairment of non-financial assets". For the purpose of impairment testing, goodwill is allocated, from the acquisition date, to each of the identified cash generating units.

Goodwill relating to equity investments in associates and joint ventures is included in their carrying amount.

## Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount of any involved asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. In order to determine the recoverable amount of property, plant and equipment, investment property, intangible as-

sets and goodwill, the Group generally adopts the value-in-use criterion.

The value in use is represented by the present value of the estimated future cash flows generated by the asset in question. Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.

The future cash flows used to determine value in use are based on the most recent business plan, approved by the management, containing forecasts for volumes, revenue, operating costs and investments.

These projections cover the next five years. Consequently, cash flows related to subsequent periods are determined on the basis of a long-term growth rate that does not exceed the average long-term growth rate for the particular sector and country.

The recoverable amount of assets that do not generate independent cash flows is determined based on the cash-generating unit to which the asset belongs.

If the carrying amount of an asset or of a cash-generating unit to which it is allocated is higher than its recoverable amount, an impairment loss is recognized in profit or loss under "Depreciation, amortization and impairment losses". Impairment losses of cash generating units are firstly charged against the carrying amount of any goodwill attributed to it and then against the other assets, in proportion to their carrying amount.

If the reasons for a previously recognized impairment loss no longer obtain, the carrying amount of the asset is restored through profit or loss, under "Depreciation, amortization and impairment losses", in an amount that shall not exceed the net carrying amount that the asset would have had if the impairment loss had not been recognized and depreciation or amortization had been performed. The original value of goodwill is not restored even if in subsequent years the reasons for the impairment no longer obtain.

The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets not yet available for use is tested for recoverability annually or more frequently if there is evidence suggesting that the assets may be impaired.

If certain specific identified assets owned by the Group are impacted by adverse economic or operating conditions that undermine their capacity to contribute to the generation of cash flows, they can be isolated from the rest of the assets of the CGU, undergo separate analysis of their recoverability and are impaired where necessary.

## Inventories

Inventories are measured at the lower of cost and net realizable value except for inventories involved in trading activities, which are measured at fair value with recognition through profit or loss. Cost is determined on the basis of average weighted cost, which includes related ancillary charges. Net estimated realizable value is the estimated normal selling price net of estimated costs to sell or, where applicable, replacement cost.

For the portion of inventories held to discharge sales that have already been made, the net realizable value is determined on the basis of the amount established in the contract of sale.

Inventories include environmental certificates (green certificates, energy efficiency certificates and CO<sub>2</sub> emissions allowances) that were not utilized for compliance in the reporting period. As regards CO<sub>2</sub> emissions allowances, inventories are allocated between the trading portfolio and the compliance portfolio, i.e. those used for compliance with greenhouse gas emissions requirements. Within the latter, CO<sub>2</sub> emissions allowances are allocated to sub-portfolios on the basis of the compliance year to which they have been assigned.

Inventories also include nuclear fuel stocks, use of which is determined on the basis of the electricity generated.

Materials and other consumables (including energy commodities) held for use in production are not written down if it is expected that the final product in which they will be incorporated will be sold at a price sufficient to enable recovery of the cost incurred.

## Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and contract costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period. Under this criteria, revenue, expenses and profit are attributed in proportion to the work completed.

When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is recognized as an expense immediately, regardless of the stage of completion of the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. The stage of completion of the contract in progress is deter-

mined, using the cost-to-cost method, as a ratio between costs incurred for work performed to the reporting date and the estimated total contract costs. In addition to initial amount of revenue agreed in the contract, contract revenue includes any payments in respect of variations, claims and incentives, to the extent that it is probable that they will result in revenue and can be reliably measured.

The amount due from customers for contract work is presented as an asset; the amount due to customers for contract work is presented as a liability.

## Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized and measured in accordance with IAS 32 and IAS 39. A financial asset or liability is recognized in the consolidated financial statements when, and only when, the Group becomes party to the contractual provisions of the instrument (the trade date).

Financial instruments are classified as follows under IAS 39:

- > financial assets and liabilities at fair value through profit or loss;
- > held-to-maturity financial assets;
- > loans and receivables;
- > available-for-sale financial assets,
- > financial liabilities at amortized cost.

### Financial assets and liabilities at fair value through profit or loss

This category includes: securities, equity investments in entities other than subsidiaries, associates and joint ventures and investment funds held for trading or designated as at fair value through profit or loss at the time of initial recognition.

Financial instruments at fair value through profit or loss are financial assets and liabilities:

- > classified as held for trading because acquired or incurred principally for the purpose of selling or repurchasing at short term;
- > designated as such upon initial recognition, under the option allowed by IAS 39 (the fair value option).

Such financial assets and liabilities are initially recognized at fair value with subsequent gains and losses from changes in their fair value recognized through profit or loss.

### Held-to-maturity financial assets

This category comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, quoted on an active market and not representing equity investments, for which the Group has the positive intention and ability to hold until maturity. They are initially recognized at fair value, including any transaction costs, and subsequently measured at amortized cost using the effective interest method.

### Loans and receivables

This category mainly includes trade receivables and other financial receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted on an active market, other than those the Group intends to sell immediately or in the short term (which are classified as held for trading) and those that the Group, on initial recognition, designates as either at fair value through profit or loss or available for sale. Such assets are initially recognized at fair value, adjusted for any transaction costs, and are subsequently measured at amortized cost using the effective interest method, without discounting unless material.

### Available-for-sale financial assets

This category mainly includes listed debt securities not classified as held to maturity and equity investments in other entities (unless classified as "designated as at fair value through profit or loss"). Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

These financial instruments are measured at fair value with changes in fair value recognized in other comprehensive income.

At the time of sale, or when a financial asset available for sale becomes an investment in a subsidiary as a result of successive purchases, the cumulative gains and losses previously recognized in equity are reversed to the income statement.

When the fair value cannot be determined reliably, these assets are recognized at cost adjusted for any impairment losses.

### Impairment of financial assets

At each reporting date, all financial assets classified as loans and receivables (including trade receivables), held to maturity

riety or available for sale, are assessed in order to determine if there is objective evidence that an asset or a group of financial assets is impaired.

An impairment loss is recognized if and only if such evidence exists as a result of one or more events that occurred after initial recognition and that have an impact on the future cash flows of the asset and which can be estimated reliably. Objective evidence of an impairment loss includes observable data about, for example:

- > significant financial difficulty of the issuer or obligor;
- > a breach of contract, such as a default or delinquency in interest or principal payments;
- > evidence that the borrower will enter bankruptcy or other form of financial reorganization;
- > a measurable decrease in estimated future cash flows.

Losses that are expected to arise as a result of future events are not recognized.

For financial assets classified as loans and receivables or held to maturity, once an impairment loss has been identified, its amount is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the original effective interest rate. This amount is recognized in profit or loss. The carrying amount of trade receivable is reduced through use of an allowance account.

If the amount of a past impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment is reversed through profit or loss.

Further factors are considered in case of impairment of available-for-sale equity investments, such as significant adverse changes in the technological, market, economic or legal environment.

A significant or prolonged decline in fair value constitutes objective evidence of impairment and, therefore, the fair value loss previously recognized in other comprehensive income is reclassified from equity to income.

The amount of the cumulative loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss. An impairment loss on an available-for-sale equity investment cannot be reversed.

If there is objective evidence of impairment for unquoted equity instruments measured at cost because fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current rate of interest for a similar

financial asset. Reversal of impairment are not permitted in these cases either.

The amount of the impairment loss on a debt instrument classified as available for sale, to be reclassified from equity, is the cumulative fair value loss recognized in other comprehensive income. Such impairment loss is reversed through profit or loss if the fair value of the debt instrument objectively increases as a result of an event that occurred after the impairment loss was recognized.

## Cash and cash equivalents

This category includes deposits that are available on demand or at very short term, as well as highly liquid short-term financial investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

In addition, for the purpose of the consolidated statement of cash flows, cash and cash equivalents do not include bank overdrafts at period-end.

## Financial liabilities at amortized cost

This category mainly includes borrowings, trade payables, finance lease obligations and debt instruments.

Financial liabilities other than derivatives are recognized when the Group becomes a party to the contractual clauses of the instrument and are initially measured at fair value adjusted for directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

## Derivative financial instruments

A derivative is a financial instrument or another contract:

- > whose value changes in response to the changes in an underlying variable such as an interest rate, commodity or security price, foreign exchange rate, a price or rate index, a credit rating or other variable;
- > that requires no initial net investment, or an initial net investment that is smaller than would be required for a contract with a similar response to changes in market factors;
- > that is settled at a future date.

Derivative instruments are classified as financial assets or liabilities depending on whether their fair value is positive or negative and they are classified as “held for trading” and measured at fair value through profit or loss, except for those designated as effective hedging instruments.

For more details about hedge accounting, please see note 44 “Derivatives and hedge accounting”.

All derivatives held for trading are classified as current assets or liabilities.

Derivatives not held for trading purposes but measured at fair value through profit or loss since they do not qualify for hedge accounting and derivatives designated as effective hedging instruments are classified as current or non-current on the basis of their maturity date and the Group's intention to hold the financial instrument until maturity or not.

## Embedded derivatives

An embedded derivative is a derivative included in a "combined" contract (the so-called "hybrid instrument") that contains another non-derivative contract (the so-called host contract) and gives rise to some or all of the combined contract's cash flows.

The main Group contracts that may contain embedded derivatives are contracts to buy or sell non-financial items with clauses or options that affect the contract price, volume or maturity.

Such contracts, which do not represent financial instruments to be measured at fair value, are analyzed in order to identify any embedded derivative, which are to be separated and measured at fair value. This analysis is performed when the Group becomes party to the contract or when the contract is renegotiated in a manner that significantly changes the original associated cash flows. Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- > host contract is not a financial instrument measured at fair value through profit or loss;
- > the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- > a separate contract with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are separated from the host contract are recognized in the consolidated financial statements at fair value with changes recognized through profit or loss (except when the embedded derivative is part of a designated hedging relationship).

## Contracts to buy or sell non-financial items

In general, contracts to buy or sell non-financial items that are entered into and continue to be held for receipt or delivery, in accordance with the Group's normal expected purchase, sale or usage requirements, do not fall within the scope of IAS 39 and are then recognized in accordance with the accounting treatment of such transactions (the "own use exemption").

Such contracts are recognized as derivatives and, as a consequence, at fair value through profit or loss only if:

- > they can be settled net in cash; and
- > they are not entered into in accordance with the Group's expected purchase, sale or usage requirements.

A contract to buy or sell non-financial items is classified as a "normal purchase or sale" if it is entered into:

- > for the purpose of physical delivery;
- > in accordance with the Group's expected purchase, sale or usage requirements.

The Group analyses all contracts to buy or sell non-financial assets, with a specific focus on forward purchases and sales of electricity and energy commodities, in order to determine if they should be classified and treated in accordance with IAS 39 or if they have been entered into for "own use".

## Derecognition of financial assets and liabilities

Financial assets are derecognized whenever one of the following conditions is met:

- > the contractual right to receive the cash flows associated with the asset expires;
- > the Group has transferred substantially all the risks and rewards associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to pay such cash flows to one or more beneficiaries under a contract that meets the requirements established by IAS 39 (the "pass through test");
- > the Group has not transferred or retained substantially all the risks and rewards associated with the asset but has transferred control over the asset.

Financial liabilities are derecognized when they are extinguished, i.e. when the contractual obligation has been discharged, cancelled or expired.

## Offsetting financial assets and liabilities

The Group offsets financial assets and liabilities when:

- > there is a legally enforceable right to set off the recognized amounts; and
- > it has the intention of either settling on a net basis, or realizing the asset and settling the liability simultaneously.

## Employee benefits

Liabilities related to employee benefits paid upon or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period are determined separately for each plan,



using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance-sheet date (the projected unit credit method). More specifically, the present value of the defined benefit obligation is calculated by using a discount rate determined on the basis of market yields at the end of the reporting period on high-quality corporate bonds. If there is no deep market for high-quality corporate bonds in the currency in which the bond is denominated, the corresponding yield of government securities is used.

The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries.

If the value of plan assets exceeds the present value of the related defined benefit obligation, the surplus (up to the limit of any cap) is recognized as an asset.

As regards the liabilities (assets) of defined benefit plans, the cumulative actuarial gains and losses from the actuarial measurement of the liabilities, the return on the plan assets (net of the associated interest income) and the effect of the asset ceiling (net of the associated interest income) are recognized in other comprehensive income when they occur. For other long-term benefits, the related actuarial gains and losses are recognized through profit or loss.

In the event of a change being made to an existing defined benefit plan or the introduction of a new plan, any past service cost is recognized immediately in profit or loss.

Employees are also enrolled in defined contribution plans under which the Group pays fixed contributions to a separate entity (a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Such plans are usually aimed to supplement pension benefits due to employees post-employment. The related costs are recognized in income statement on the basis of the amount of contributions paid in the period.

## Termination benefits

Liabilities for benefits due to employees for the early termination of the employment relationship, both as a result of a decision by the Group or an employee's decision to accept voluntary redundancy in exchange for these benefits, are recognized at the earlier of the following dates:

- > when the Group can no longer withdraw its offer of benefits; and
- > when the Group recognizes a cost for a restructuring that

is within the scope of IAS 37 and involves the payment of termination benefits.

The liabilities are measured on the basis of the nature of the employee benefits. More specifically, when the benefits represent an enhancement of other post-employment benefits, the associated liability is measured in accordance with the rules governing that type of benefit. Otherwise, if the termination benefits due to employees are expected to be settled wholly before 12 months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for short-term employee benefits; if they are not expected to be settled wholly before 12 months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for other long-term employee benefits.

## Provisions for risks and charges

Provisions are recognized where there is a legal or constructive obligation as a result of a past event at the end of the reporting period, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated. Where the impact is material, the accruals are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and, if applicable, the risks specific to the liability. If the provision is discounted, the periodic adjustment of the present value for the time factor is recognized as a financial expense.

When the Group expects some or all of the expenditure required to extinguish a liability will be reimbursed by a third party, the reimbursement is recognized as a separate asset if such reimbursement is virtually certain.

Where the liability relates to plant decommissioning and/or site restoration, the initial recognition of the provision is made against the related asset and the expense is then recognized in profit or loss through the depreciation of the asset involved.

Where the liability regards the treatment and storage of nuclear waste and other radioactive materials, the provision is recognized against the related operating costs.

In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), the Group recognizes a provision as the lower of the costs of fulfilling the obligation that exceed the economic benefits expected to be received under the contract and any compensation or penalty arising from failure to fulfil it.

Changes in estimates of accruals to the provision are recognized in the income statement in the period in which the changes occur, with the exception of those in respect of the costs of decommissioning, dismantling and/or restoration resulting from changes in the timetable and costs necessary to extinguish the obligation or from a change in the discount rate. These changes increase or decrease the value of the related assets and are taken to the income statement through depreciation. Where they increase the value of the assets, it is also determined whether the new carrying amount of the assets is fully recoverable. If this is not the case, a loss equal to the unrecoverable amount is recognized in the income statement.

Decreases in estimates are recognized up to the carrying amount of the assets. Any excess is recognized immediately in the income statement.

For more information on the estimation criteria adopted in determining liabilities for plant dismantling and site restoration, especially those associated with nuclear power plants or the storage of waste fuel and other radioactive materials, please see the section on the use of estimates.

## Government grants

Government grants, including non-monetary grants at fair value, are recognized where there is reasonable assurance that they will be received and that the Group will comply with all conditions attaching to them as set by the Government, government agencies and similar bodies whether local, national or international.

When loans are provided by Governments at a below-market rate of interest, the benefit is regarded as a government grant. The loan is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying amount of the loan and the funds received. The loan is subsequently measured in accordance with the requirements for financial liabilities.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the costs that the grants are intended to compensate.

Where the Group receives government grants in the form of a transfer of a non-monetary asset for the use of the Group, it accounts for both the grant and the asset at the fair value of the non-monetary asset received at the date of the transfer.

Grants related to long-lived assets, including non-monetary grants at fair value, i.e. those received to purchase, build or

otherwise acquire non-current assets (for example, an item of property, plant and equipment or an intangible asset), are recognized on a deferred basis under other liabilities and are credited to profit or loss on a straight-line basis over the useful life of the asset.

## Environmental certificates

Some Group companies are affected by national regulations governing green certificates and energy efficiency certificates (so-called white certificates), as well as the European "Emissions Trading System".

In Italy, which had a system of green certificates to encourage renewables generation until last year, since 2016 – in application of a Ministerial Decree of July 6, 2012 – the previous incentive mechanism was replaced by a "feed-in premium". The recognition in the accounts of these changes produced an increase in revenue, which now reports the entire amount of the sales price, including the incentive, and a corresponding decrease in other revenue and income, where amounts associated with the award of green certificates for electricity generated were reported, in accordance with the provisions of the incentive agreement for each plant.

In other countries in which a green certificate system is still in use, green certificates accrued in proportion to electricity generated by renewable energy plants and energy efficiency certificates accrued in proportion to energy savings achieved that have been certified by the competent authority are treated as non-monetary government operating grants and are recognized at fair value, under other revenue and income, with recognition of an asset under other non-financial assets, if the certificates are not yet credited to the ownership account, or under inventories, if the certificates have already been credited to that account. At the time the certificates are credited to the ownership account, they are reclassified from other assets to inventories.

Revenue from the sale of such certificates are recognized under revenue from sales and services, with a corresponding decrease in inventories.

For the purposes of accounting for charges arising from regulatory requirements concerning green certificates, energy efficiency certificates and CO<sub>2</sub> emissions allowances, the Group uses the "net liability approach".

Under this accounting policy, environmental certificates received free of charge and those self-produced as a result of Group's operations that will be used for compliance purposes are recognized at nominal value (nil). In addition,



charges incurred for obtaining (in the market or in some other transaction for consideration) any missing certificates to fulfil compliance requirements for the reporting period are recognized through profit or loss on an accruals basis under other operating expenses, as they represent "system charges" consequent upon compliance with a regulatory requirement.

## Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use.

This classification criteria is applicable only when non-current assets (or disposal groups) are available in their present condition for immediate sale and the sale is highly probable. If the Group is committed to a sale plan involving loss of control of a subsidiary and the requirements provided for under IFRS 5 are met, all the assets and liabilities of that subsidiary are classified as held for sale when the classification criteria are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

The Group applies these classification criteria as envisaged in IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.

Non-current assets (or disposal groups) and liabilities of disposal groups classified as held for sale are presented separately from other assets and liabilities in the balance sheet. The amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale are not reclassified or re-presented for prior periods presented.

Immediately before the initial classification of non-current assets (or disposal groups) as held for sale, the carrying amounts of such assets (or disposal groups) are measured in accordance with the IFRS-EU applicable to the specific assets or liabilities. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses for any initial or subsequent writedown of the assets

(or disposal groups) to fair value less costs to sell and gains for their reversals are included in profit or loss from continuing operations.

Non-current assets are not depreciated (or amortized) while they are classified as held for sale or while they are part of a disposal group classified as held for sale.

If the classification criteria are no longer met, the Group ceases to classify non-current assets (or disposal group) as held for sale. In that case they are measured at the lower of:

- > the carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized if the asset (or disposal group) had not been classified as held for sale; and
- > the recoverable amount, which is equal to the greater of its fair value net of costs of disposal and its value in use, as calculated at the date of the subsequent decision not to sell.

Any adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- > represents a separate major line of business or geographical area of operations;
- > is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- > is a subsidiary acquired exclusively with a view to resale.

The Group presents, in a separate line item of the income statement, a single amount comprising the total of:

- > the post-tax profit or loss of discontinued operations; and
- > the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.

The corresponding amount is re-presented in the income statement for prior periods presented in the financial statements, so that the disclosures relate to all operations that are discontinued by the end of the current reporting period. If the Group ceases to classify a component as held for sale, the results of the component previously presented in discontinued operations are reclassified and included in income from continuing operations for all periods presented.

## Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account. Therefore, in an agency relationship, the amount collected on behalf of the principal are excluded from revenue.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the Group.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue.

In arrangements under which the Group will perform multiple revenue-generating activities (a multiple-element arrangement), the recognition criteria are applied to the separately identifiable components of the transaction in order to reflect the substance of the transaction or to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.

More specifically, the following criteria are used depending on the type of transaction:

- > revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer and their amount can be reliably determined;
- > revenue from the sale of electricity and gas is recognized when these commodities are supplied to the customer and regard the quantities provided during the period, even if these have not yet been invoiced. It is determined using estimates as well as periodic meter readings. Where applicable, this revenue is based on the rates and related restrictions established by law or the Authority for Electricity, Gas and the Water System and analogous foreign authorities during the applicable period;
- > revenue from the transport of electricity and gas is recognized when the services are rendered to distribution customers even if they have not yet been invoiced. That revenue is determined on the basis of the amounts that have actually transited along the distribution network, net of estimated losses. Where provided for in the specific local regulations, such revenue is adjusted to take account of the restrictions and mandatory rates established by the Authority for Electricity, Gas and the Water

System in Italy or the equivalent national organizations in other countries. In particular, in setting restrictions and mandatory rates, each authority covers the costs incurred for investments in the network, the associated remuneration based on an appropriate rate of return on capital and the timing with which those amounts are incorporated in rates. Where the inclusion of the investments in rates, which gives rise to the operator's right to receive the amount, in the year in which they are carried out is already virtually certain they are recognized on an accrual basis, regardless of the financial mechanism used to pay them. These arrangements reflect, for example, the provision of Authority Resolution 654/2015 concerning the definition of the criteria for the new rate period for distribution and metering in force for the regulatory cycle (2016-2023);

- > revenue from the rendering of services is recognized by reference to the stage of completion of services at the end of the reporting periods in which the services are rendered. The stage of completion of the transaction is determined based on an assessment of the service rendered as a percentage of the total services to be rendered or as costs incurred as a proportion of the estimated total costs of the transaction. When it is not possible to reliably determine the value of the revenue, it is recognized only to the extent of the expenses recognized that are recoverable;
- > revenue associated with construction contracts is recognized as specified in the section "Construction contracts";
- > revenue from monetary and in-kind fees for connection to the electricity distribution network is recognized in full upon completion of connection activities if the service supplied is identified. If more than one separately identifiable service is identified, the fair value of the total consideration received or receivable is allocated to each service and the revenue related to the service performed in the period is recognized; in particular, if any ongoing services (electricity distribution services) are identified, the related revenue is generally determined by the terms of the agreement with the customer or, when such an agreement does not specify a period, over a period no longer than the useful life of the transferred asset;
- > revenue from rentals and operating leases is recognized on an accruals basis in accordance with the substance of the relevant agreement.

## Financial income and expense from derivatives

Financial income and expense from derivatives includes:

- > income and expense from derivatives measured at fair value through profit or loss on interest rate and exchange risks;
- > income and expense from fair value hedge derivatives on interest rate risk;
- > income and expense from cash flow hedge derivatives on interest rate and exchange risks.

## Other financial income and expense

For all financial assets and liabilities measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income and expense is recorded using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured.

Other financial income and expense also includes changes in the fair value of financial instruments other than derivatives.

## Income taxes

### Current income taxes

Current income taxes for the period, which are recognized under "income tax payable" net of payments on account, or under "tax receivables" where there is a credit balance, are determined using an estimate of taxable income and in conformity with the applicable regulations.

In particular, such payables and receivables are determined using the tax rates and tax laws that are enacted or substantively enacted as at the end of the reporting period.

Current income taxes are recognized in profit or loss with the exception of current income taxes related to items recognized outside profit or loss that are recognized in equity.

### Deferred tax items

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corre-

sponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which is determined on the basis of tax rates that are enacted or substantively enacted as at end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset.

The recoverability of deferred tax assets is reviewed at each period-end.

Unrecognized deferred tax assets are re-assessed at each reporting date and they are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred taxes are recognized in profit or loss, with the exception of those in respect of items recognized outside profit or loss that are recognized in equity.

Deferred tax assets and deferred tax liabilities are offset against current tax liabilities relate to income taxes levied by the same taxation authority that arise at the time of reversal if a legally enforceable right to set-off exists.

## Dividends

Dividends are recognized when the unconditional right to receive payment is established.

Dividends and interim dividends payable to a Company's shareholders are recognized as changes in equity in the period in which they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

## Recently issued accounting standards

### New accounting standards applied in 2016

The Group adopted the following amendments to existing standards with effect as from January 1, 2016.

> “Amendments to IAS 1 - *Disclosure initiative*”, issued in December 2014. The amendments, which form part of a broader initiative to improve presentation and disclosure requirements, include changes in the following areas:

- materiality: the amendments clarify that the concept of materiality applies to all parts of the financial statements and that the inclusion of immaterial information could undermine the utility of financial disclosures;
- disaggregation and subtotals: the amendments clarify that the line items in the income statement, the statement of comprehensive income and the balance sheet may be disaggregated. They also introduce new requirements concerning the use of subtotals;
- the structure of the notes: the amendments clarify that entities have a certain degree of flexibility in the order in which the notes to the financial statements may be presented. They also emphasize that in establishing that order the entity must consider the requirements of understandability and comparability of the financial statements;
- investments accounted for using the equity method: the entity's share of OCI of investments in equity-accounted associates and joint ventures must be split between the portion recyclable and that not recyclable to profit and loss; such portions must be presented as separate line items in the statement of comprehensive income.

The application of amendments did not have an impact on these consolidated financial statements.

> “Amendments to IAS 19 - *Defined benefit plans: employees contributions*”, issued in November 2013. The amendments are intended to clarify how to recognize contributions from employees within a defined benefit plan. More specifically, contributions linked to service should be recognized as a reduction in service cost:

- over the periods in which employees render their services, if the amount of the contributions is dependent

on the number of years of service; or

- in the period in which the service is rendered, if the amount of the contributions is independent of the number of years of service.

The application of amendments did not have an impact on these consolidated financial statements.

> “Amendments to IAS 27 - *Equity method in separate financial statements*”, issued in August 2014. The amendments permit the use of the equity method for investments in subsidiaries, joint ventures and associates. The amendments also clarify a number of issues concerning investment entities. Specifically, when an entity ceases to be an investment entity, it must recognize investments in subsidiaries in accordance with IAS 27. Conversely, when an entity becomes an investment entity, it must recognize investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9.

As the amendments regard the separate financial statements only, they are not expected to have an impact on the consolidated financial statements.

> “Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment entities: applying the consolidation exception*”, issued in December 2014. The amendments clarify that if a parent entity (or intermediate parent) prepares its financial statements in conformity with IFRS 10 (including the case of an investment entity that does not consolidate its investments in subsidiaries but rather measures them at fair value), the exemption from preparing consolidated financial statements is available to the subsidiaries of an investment entity that in turn qualify as investment entities. In addition, the amendments also clarify that a parent entity that qualifies as an investment entity must consolidate a subsidiary that provides services related to the parent's investment activities if the subsidiary is not itself an investment entity. The amendments also simplify application of the equity method for an entity that is not an investment entity but holds an interest in an associate or joint venture that is an investment entity. In particular, when applying the equity method, the entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. The application of amendments did not have an impact on these consolidated financial statements.

> “Amendments to IFRS 11 - *Accounting for acquisitions of interests in joint operations*”, issued in May 2014. The amendments clarify the accounting treatment of the acquisition of an interests in a joint operation that is business, pursuant to IFRS 3, requiring the application of

all the accounting rules for business combinations under IFRS 3 and other applicable IFRS with the exception of those standards that conflict with the guidance on IFRS 11. Under the amendments, a joint operator that acquires such interests must measure the identifiable assets and liabilities at fair value; expense acquisition-related costs (with the exception of debt or equity issuance costs); recognize deferred taxes; recognize any goodwill or bargain purchase gain; perform impairment tests for the cash generating units to which goodwill has been allocated; and disclose information required for relevant business combinations.

The application of amendments did not have an impact on these consolidated financial statements.

- > “Amendments to IAS 16 and IAS 38 - *Clarification of acceptable methods of depreciation and amortization*”, issued in May 2014. The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. The provisions of IAS 16 have been amended to clarify that a revenue-based depreciation method asset is not appropriate. The provisions of IAS 38 have been amended to introduce a presumption that a revenue-based amortization method is inappropriate. That presumption can be overcome when:

- the intangible asset is expressed as a measure of revenue;
- it can be demonstrated that revenue and the consumption of the economic benefit generated by an intangible asset are highly correlated.

The application of amendments did not have an impact on these consolidated financial statements.

- > “Amendments to IAS 16 and IAS 41 - *Bearer plants*”, issued in June 2014. The amendments change the accounting treatment of biological assets that meet the definition of “bearer plants”, such as fruit trees, that currently fall within the scope of “IAS 16 - Property, plant and equipment”. As a consequence, they will be subject to all of the provisions of that standard. Accordingly, for measurement subsequent to initial recognition, the entity may choose between the cost model and the revaluation model. The agricultural products produced by the bearer plants (e.g. fruit) will remain within the scope of “IAS 41 - Agriculture”.

The application of amendments did not have an impact on these consolidated financial statements.

- > “Annual improvements to IFRSs 2010-2012 cycle”, issued in December 2013; the document contains formal

modifications and clarifications of existing standards that did not have an impact on these consolidated financial statements. More specifically, the following standards were amended:

- “IFRS 2 - *Share-based payment*”; the amendment separates the definitions of “performance conditions” and “service conditions” from the definition of “vesting conditions” in order to clarify the description of each condition;
- “IFRS 3 - *Business combinations*”; the amendment clarifies how to classify any contingent consideration agreed in a business combination. Specifically, the amendment establishes that if the contingent consideration does not represent an equity instrument, it shall be classified as a financial asset or liability (within the scope of IAS 39) or as a non-financial asset or liability. In both cases, the contingent consideration shall be measured at fair value and changes in fair value shall be recognized in profit or loss;
- “IFRS 8 - *Operating segments*”; the amendments introduce new disclosure requirements in order to enable the users of financial statements to understand the judgments adopted by management’s in aggregating operating segments and the reasons for such aggregation. The amendments also clarify that the reconciliation of total segment assets and total assets of the entity is required only if provided periodically by management;
- “IAS 16 - *Property, plant and equipment*”; the amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount of that asset shall be adjusted in a manner consistent with the revaluation of the carrying amount. In addition, it also clarifies that the accumulated depreciation shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses;
- “IAS 24 - *Related party disclosures*”; the amendment clarifies that a management entity, i.e. an entity providing key management personnel services to an entity, is a related party of that entity. Accordingly, in addition to fees for services paid or payable to the management entity, the entity must report other transactions with the management entity, such as loans, within the disclosures required under IAS 24 for related parties. The amendment also clarifies that if an entity obtains key management personnel services from a management

entity, the entity is not required to disclose the compensation paid or payable by the management entity to those managers;

- "IAS 38 - *Intangible assets*"; the amendment clarifies that when an intangible asset is revalued, its gross carrying amount shall be adjusted in a manner consistent with the revaluation of the carrying amount. In addition, it also clarifies that the accumulated amortization shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses.

"Annual improvements to IFRSs 2010-2012 cycle" amended the Basis for Conclusions of "IFRS 13 - Fair value measurement" to clarify that short-term receivables and payables with no stated interest rate to apply to the invoice amount can still be measured without discounting, if the impact of discounting would not be material.

- > "Annual improvements to IFRSs 2012-2014 cycle," issued in September 2014; the document contains formal modifications and clarifications of existing standards that did not have an impact on these consolidated financial statements. More specifically, the following standards were amended:

- "IFRS 5 - *Non-current assets held for sale and discontinued operations*"; the amendments clarify that the reclassification of an asset (or disposal group) from held for sale to held for distribution should not be considered as a new plan of sale but rather the continuation of the original plan. Accordingly, the reclassification does not give rise to any interruption in the application of the provisions of IFRS 5 or any change in the date of classification;
- "IFRS 7 - *Financial instruments: disclosures*"; as regards disclosures to be provided on any continuing involvement in assets that have been transferred and derecognized in their entirety, the amendments clarify that for disclosure purposes, a servicing contract that provides for the payment of a fee can represent a continuing involvement in the transferred asset. The entity must assess the nature of the fee and the servicing contract to determine when disclosure is required. The amendments also clarify that disclosures concerning the offsetting of financial assets and liabilities are not required in condensed interim financial statements;
- "IAS 19 - *Employee benefits*"; IAS 19 requires that the discount rate used to discount post-employment benefit obligations shall be determined by reference to market yields on high quality corporate bonds or government bonds where there is not deep market in such

high quality corporate bonds. The amendment to IAS 19 clarifies that the depth of the market in high quality corporate bonds must be assessed on the basis of the currency in which the bond is denominated and not the currency of the country in which the bond is issued. If there is no deep market in high quality corporate bonds in that currency, the corresponding market yield on government bonds shall be used;

- "IAS 34 - *Interim financial reporting*"; the amendment establishes that the required disclosures for interim financial reports shall be provided in the interim financial statements or cross-referenced in the interim financial statements by way of a reference to another statement (e.g. a management risk report) that is available on the same terms and at the same time to users of the interim financial statements.

## Accounting standards taking effect at a future date

The following new standards, amendments and interpretations take effect after December 31, 2016.

- > "IFRS 9 - *Financial instruments*", the final version was issued on July 24, 2014, replacing the existing "IAS 39 - Financial instruments: recognition and measurement" and supersedes all previous versions of the new standard. The standard will take effect as from January 1, 2018 and early application will be permitted.

The final version of IFRS 9 incorporates the results of the three phases of the project to replace IAS 39 concerning classification and measurement, impairment and hedge accounting.

As regards the classification of financial instruments, IFRS 9 provides for a single approach for all types of financial asset, including those containing embedded derivatives, under which financial assets are classified in their entirety, without the application of complex subdivision methods.

In order to determine how financial assets should be classified and measured, consideration must be given to the business model used to manage its financial assets and the characteristics of the contractual cash flows. In this regard, a business model is the manner in which an entity manages its financial assets in order to generate cash flows, i.e. collecting contractual cash flows, selling the financial assets or both.

Financial assets are measured at amortized cost if they are held in a business model whose objective is to col-



lect contractual cash flows and are measured at fair value through other comprehensive income (FVTOCI) if they are held with the objective of both collecting contractual cash flows and selling the assets. This category enables the recognition of interest calculated using the amortized cost method through profit or loss and the fair value of the financial asset through OCI.

Financial assets at fair value through profit or loss (FVTPL) is now a residual category that comprises financial instruments that are not held under one of the two business models indicated above, including those held for trading and those managed on the basis of their fair value.

As regards the classification and measurement of financial liabilities, IFRS 9 maintains the accounting treatment envisaged in IAS 39, making limited amendments, for which most of such liabilities are measured at amortized cost. It is still permitted to designate a financial liability as at fair value through profit or loss if certain requirements are met.

The standard introduces new provisions for financial liabilities designated as fair value through profit or loss, under which in certain circumstances the portion of changes in fair value due to own credit risk shall be recognized through OCI rather than profit or loss. This part of the standard may be applied early, without having to apply the entire standard.

Since during the financial crisis the impairment approach based on “incurred credit losses” had displayed clear limitations connected with the deferral of the recognition of credit losses until the occurrence of a trigger event, the standard proposes a new model that gives users of financial statements more information on “expected credit losses”.

In essence the model provides for:

- a) the application of a single approach for all financial assets;
- b) the recognition of expected credit losses on an ongoing basis and the updating of the amount of such losses at the end of each reporting period, with a view to reflecting changes in the credit risk of the financial instrument;
- c) the measurement of expected losses on the basis of reasonable information, obtainable without undue cost, about past events, current conditions and forecasts of future conditions;
- d) an improvement of disclosures on expected losses and credit risk.

IFRS 9 also introduces a new approach to hedge ac-

counting, with the aim of aligning hedge accounting more closely with risk management, establishing a more principle-based approach.

The new hedge accounting approach will enable entities to reflect their risk management activities in the financial statements, extending the criteria for eligibility as hedged items to the risk components of non-financial elements, to net positions, to layer components and to aggregate exposures (i.e. a combination of a non-derivative exposure and a derivative). The most significant changes regarding hedging instruments compared with the hedge accounting approach used in IAS 39 involve the possibility of deferring the time value of an option, the forward element of forward contracts and currency basis spreads (i.e. “hedging costs”) in OCI up until the time in which the hedged element impacts profit or loss. IFRS 9 also eliminates the requirement for testing effectiveness under which the results of the retrospective test needed to fall within a range of 80%-125%, allowing entities to rebalance the hedging relationship if risk management objectives have not changed.

Finally, IFRS 9 does not replace the provisions of IAS 39 concerning portfolio fair value hedge accounting for interest rate risk (“macro hedge accounting”) as that phase of the IAS 39 replacement project has been separated and is still under discussion. In April 2014, the IASB published a Discussion Paper Accounting for Dynamic Risk management: a Portfolio Revaluation Approach to Macro Hedging. In 2016 a transition project involving the three areas of application of the new standard was begun. The individual project areas address the following aspects:

- a) “Classification and Measurement”: an assessment of the current procedures for classifying financial instruments compared with the new policies provided for under IFRS 9 (i.e. SPPI test and business model). In addition, the project activities also include the analysis of contracts that could be measured at fair value, as the contractual cash flows might not be composed solely of payments of principal and interest, and of minority interests in unlisted companies which under IAS 39 are subject to the cost exemption while under IFRS 9 they would be measured at fair value, in order to identify appropriate valuation models;
- b) “Impairment”: analysis is under way of impaired financial assets, with a focus on trade receivables, which represent the majority of the Group’s credit exposure. More specifically, those receivables have been sub-divided into specific clusters, taking due

account of the applicable legislative and regulatory framework. Depending on the case, appropriate impairment models are being analyzed in application of the loss-rate approach or the general expected credit losses model;

- c) "Hedge Accounting": work on implementing the new hedge accounting model is under way, including effectiveness testing and rebalancing hedge relationships and analysis of the new strategies that can be applied under IFRS 9.

At the current stage of analysis it is not possible to provide a reasonable estimate of the possible impact of the new standard.

- > "IFRS 14 - *Regulatory deferral accounts*", issued in January 2014. The standard allows first-time adopters to continue to recognize rate-regulated amounts recognized under their previous GAAP at first-time adoption of the International Financial Reporting Standards. The standard may not be adopted by entities that already prepare their financial statements in accordance with the IFRS/IAS. In other words, an entity may not recognize rate-regulated assets and liabilities under IFRS 14 if its current GAAP do not permit such recognition or if the entity has not adopted such accounting treatment as permitted under its current GAAP. The European Commission has decided not to begin the endorsement process for this standard but to instead await the finalization of the broader project involving rate-regulated activities.
- > "IFRS 15 - *Revenue from contracts with customers*", issued in May 2014, including "Amendments of IFRS 15: effective date of IFRS 15", issued in September 2015. The new standard will replace "IAS 11 - Construction contracts", "IAS 18 - Revenue", "IFRIC 13 - Customer loyalty programmes", "IFRIC 15 - Agreements for the construction of real estate", "IFRIC 18 - Transfers of assets from customers" and "SIC 31 - Revenue - Barter transactions involving advertising services" and will apply to all contracts with customers, with a number of exceptions (for example, lease and insurance contracts, financial instruments, etc.). The new standard establishes a general framework for the recognition and measurement of revenue based on the following fundamental principle: the recognition of revenue in a manner that faithfully depicts the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The fundamental principle will be applied on the basis of five key phases (steps): the entity must identify the contract with

the customer (step 1); it must identify the performance obligations in the contract, recognizing separable goods or services as separate obligations (step 2); the entity must then determine the transaction price, which is represented by the consideration that it expects to obtain (step 3); the entity must then allocate the transaction price to the individual obligations identified in the contract on the basis of the individual price of each separable good or service (step 4); revenue is recognized when (or if) each individual performance obligation is satisfied through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service (step 5).

IFRS 15 also provides for a series of notes to ensure complete disclosure concerning the nature, amount, timing and degree of uncertainty of the revenue and cash flows associated with contracts with customers.

The standard shall take effect, subject to endorsement, for periods beginning on or after January 1, 2018.

A project was initiated in 2016 to identify the possible impact of the standard on the Group's consolidated financial statements. At the current stage of analysis, which is still under way, the most significant aspects that we feel will be affected by the new provisions of IFRS 15 regard: (i) identification of the contractual obligations; (ii) contracts with multiple contractual obligations; (iii) contracts with variable consideration and the timing of recognition; (iv) contracts in which a third party is involved in supplying goods/services to customers, distinguishing between cases in which the Group (or the counterparty) is acting as a principal or as an agent; (v) the capitalization of contract acquisition costs and the performance of contracts with customers; and (vi) the disclosure to provide in order to comply with the standard.

At the current stage of analysis it is not possible to provide a reasonable estimate of the possible impact of the new standard.

During the analysis process, the Group may also define the procedures for the first-time application of the standard.

- > "Clarification to IFRS 15 - *Revenue from contracts with customers*", issued in April 2016, introduces amendments of the standard in order to clarify a number of practical expedients and topics addressed by the Joint Transition Resource Group established by the IASB and the FASB. The aim of these amendments is to clarify a number of provisions of IFRS 15 without modifying the basic principles of the standard. The amendments shall take effect, subject to endorsement, for periods beginning on or after January 1, 2018.



> “IFRS 16 - *Leases*”, issued in January 2016, replaces the previous standard governing leases, IAS 17, and the associated interpretations. It establishes the criteria for the recognition, measurement and presentation of leases for both the lessor and the lessee and the associated disclosures. Although IFRS 16 does not modify the definition of a lease contract set out in IAS 17, the main change is represented by the introduction of the concept of control within that definition. More specifically, in order to determine whether a contract represents a lease, IFRS 16 requires the lessee to determine whether it has the right to control the use of a given assets for a specified period of time. IFRS 16 eliminates the distinction between operating and finance leases, as required under IAS 17, introducing a single method for recognizing all leases. Under the new approach, the lessee must recognize:

- a) in the balance sheet, the assets and liabilities in respect of all leases with a term of more than 12 months, unless the underlying asset is of low value; and
- b) in the income statement, the depreciation of the assets involved in the lease contract separately from the interest connected with the associated liabilities.

For lessors, IFRS 16 essentially retains the recognition requirements provided for under IAS 17. Accordingly, the lessor shall continue to classify and recognize leases as operating or finance leases. The standard will apply, subject to endorsement, for periods beginning on or after January 1, 2019. The Group is assessing the potential impact of the future application of the standard.

> “Amendments to IAS 7 - *Disclosure Initiative*”, issued in January 2016. The amendments apply to liabilities and assets arising from financing activities, which are defined as liabilities and assets for which cash flows were, or will be, classified in the statement of cash flows as “cash flows from financing activities”. The amendments require disclosure of changes in such liabilities/assets, distinguishing between cash flow changes and non-cash variations (i.e. variations arising from the effect of changes in foreign exchange rates and changes in fair values). The IASB suggests providing such disclosure in a reconciliation between the opening and closing balances for the period for such liabilities/assets. The amendments will take effect for periods beginning on or after January 1, 2017. The Group does not expect the future application of the amendments to have an impact.

> “Amendments to IAS 12 - *Recognition of deferred tax assets for unrealised losses*”, issued in January 2016. The amendments clarify the recognition of deferred tax

assets in respect of debt instruments measured at fair value. More specifically, the amendments clarify the requirements for recognizing deferred tax assets for unrealized losses in order to eliminate differences in accounting treatment. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2017. Early application is permitted. The Group is assessing the potential impact of the future application of the amended standard.

> “Amendments to IFRS 10 and IAS 28 - *Sale or contribution of assets between an investor and its associate or joint venture*”, issued in September 2014. The amendments establish that in the case of the sale or contribution of assets to a joint venture or an associate, or the sale of an interest that gives rise to a loss of control while maintaining joint control or significant influence over the associate or joint venture, the amount of the gain or loss recognized shall depend on which the assets or interest constitute a business in accordance with “IFRS 3 - Business combinations”. More specifically, if the assets/interest constitute a business, any gain (loss) shall be recognized in full; if the assets/interest does not constitute a business, any gain (loss) shall only be recognized to the extent of the unrelated investors’ interests in the associate or joint venture, who represent the counterparties in the transaction. The EFRAG has recommended that the European Commission postpone endorsement of the amendments until the IASB completes its project on the elimination of gains and losses on transactions between an entity and its associates or joint ventures.

> “Amendments to IFRS 2 - *Classification and measurement of share-based payment transactions*”, issued in June 2016. The amendments:

- clarify that the fair value of a share-based transaction settled in cash at the measurement date (i.e. at the grant date, at the close of each accounting period and at the settlement date) shall be calculated by taking account of market conditions (e.g. a target price for the shares) and non-vesting conditions, ignoring service conditions and performance conditions other than market conditions;
- clarify that share-based payments with net settlement for withholding tax obligations should be classified in their entirety as equity-settled transactions (if they would be so classified in the absence of the net settlement feature);
- establish provisions for the accounting treatment of changes in terms and conditions that result in a change in the classification of the transaction from cash-settled to equity-settled.

The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> “Amendments to IFRS 4 - *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*”, issued in September 2016. The amendments:

- permit insurers whose activities are predominantly connected with insurance to postpone the application of IFRS 9 until 2021 (“temporary exemption”); and
- permits insurers, until the future issue of the new accounting standard for insurance contracts, to recognize the volatility that should be caused by the application of IFRS 9 in other comprehensive income rather than through profit or loss (the “overlay approach”).

The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> “IFRIC 22 - *Foreign currency transactions and advance consideration*”, issued in December 2016; the interpretation clarifies that, for the purpose of determining the exchange rate to be used in the initial recognition of an asset, expense or income (or part of it) the date of the transaction is that on which the entity recognizes any non-monetary asset (liability) in respect of advance consideration paid (received). If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> “Amendments to IAS 40 - *Transfers of investment property*”, issued in December 2016; the amendments clarify that transfers of property to or from investment property shall be permitted only when there is a change in use supported by evidence of that change. A change in management’s intentions does not in itself provide evidence of a change in use sufficient to support the transfer. The amendments broadened the examples of changes of use to include property under construction or development and not just the transfer of completed properties. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group does not expect the future application of the amendments to have an impact.

> “Annual improvements to IFRSs 2014-2016 cycle”, issued

in December 2016; the document contains formal modifications and clarifications of existing standards that are not expected to have a significant impact on the Group. More specifically, the following standards were amended:

- “IFRS 1 - *First-time adoption of International Financial Reporting Standards*”; the amendments eliminated the “short-term exemptions from IFRSs” regarding the transition to IFRS 7, IAS 19 and IFRS 10. These transition provisions were only available for past reporting periods and are therefore now no longer applicable. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2018;
- “IFRS 12 - *Disclosure of interests in other entities*”; the amendments clarify that the provisions governing disclosure under IFRS 12, with the exception of summarized financial information, also apply to interests in entities classified as held for sale. Prior to the amendments, it was not clear whether the provisions of IFRS 12 were applicable to such interests. The amendments will apply retrospectively, subject to endorsement, for periods beginning on or after January 1, 2017;
- “IAS 28 - *Investments in associates and joint ventures*”; the amendments clarify that, regarding the option available to a venture capital organization (or a mutual fund, unit trust and similar entities, including investment-linked insurance funds) to measure an investment in an associate or joint venture at fair value through profit or loss, those entities shall make this election at initial recognition separately for each associate or joint venture. Similar clarifications were made for entities that are not investment entities and that, when they apply the equity method, elect to retain the fair value measurement applied by the investment entities that represent their interests in associates or joint ventures. The amendments will apply retrospectively, subject to endorsement, for periods beginning on or after January 1, 2018.

## 4

### Restatement of comparative disclosures

As from the close of the period at September 30, 2016, the new organizational model of the Enel Group can be consid-

ered fully operational. The adoption of the model was first announced in the 2nd Quarter of 2016, at the time of the presentation of the new organizational structure.

The main changes in the organizational model include the integration of the various companies belonging to the Enel Green Power Group in the various Divisions by geographical area, functionally including the large hydro activities that are still formally operated by the thermal generation companies, and a new definition of the geographical areas (Italy, Iberia, Europe and North Africa, Latin America, North and Central America, Sub-Saharan Africa and Asia, Central/Parent Company). The new business structure is also broken down as follows: Thermal Generation and Trading, Infrastructure and Networks, Renewables, Retail, Services and Parent Company. Accordingly, the new matrix structure is organized into the following Divisions (Global Thermal Generation, Global Infrastructure and Networks, Renewable Energy and Global Trading) and Regions and Countries (Italy, Iberia, Europe and North Africa, Latin America, North and Central America, Sub-Saharan Africa and Asia), and will, from this year, also represent the basis of planning, reporting and assessment of the financial performance of the Group, both internally by top management and in relations with the financial community.

In view of these developments, it has also become necessary to review disclosures under “IFRS 8 - Operating segments”, as reported in note 6 below, which have also been supplemented with restated comparative figures to ensure full comparability.

In addition, the structure of “cash flow from operating activities” in the consolidated statement of cash flows, which has maintained its overall value unchanged, underwent structural modifications in order to improve the presentation of events, which involved the restatement of items for 2015 in order to improve comparability.

## 5

### Main changes in the scope of consolidation

In the two periods under review, the scope of consolidation changed as a result of a number of transaction.

## 2015

- > Acquisition, on March 6, 2015, of the share not previously held by the Group, amounting to 66.7%, of **3Sun**, a photovoltaic firm. Through this acquisition, the Group obtained control of the company, which is now consolidated on a line-by-line basis;
- > acquisition, on September 24, 2015, acting through the subsidiary Enel Green Power, of a controlling interest of 68% in **BLP Energy**, a company operating in the renewables sector in India;
- > acquisition, in September 2015, of the remaining 60% of the **ENEOP Group**, identified in a split agreement with the other participants in the venture, with the acquisition being settled with the concomitant transfer of the 40% that Enel Green Power held in the other two portfolios transferred to the other partners in the consortium;
- > disposal, on November 26, 2015, of the **ENEOP Group** and other Portuguese companies in which Enel Green Power held an interest;
- > full consolidation, following changes in shareholders' agreements, in December 2015, of **Osage Wind**, a company 50% held by Enel Green Power North America, previously accounted for using the equity method;
- > acquisition of a controlling interest of 78.6% in **Erdwärme Oberland**, a company specialized in the development of geothermal projects in Germany;
- > contribution, on December 31, 2015, of the former wholly-owned subsidiaries Altomonte, Enel Green Power San Gilio and Enel Green Power Strambino Solar to an equally held joint venture (**Ultor**) with the fund F2i accounted for using the equity method.

In addition to the above changes in the scope of consolidation, the period also saw the following transactions, which although they do not represent transactions involving the acquisition or loss of control, gave rise to a change in the interest held by the Group in the investees:

- > disposal, on March 31, 2015, of 49% of **EGPNA Renewable Energy Partners**, an electricity generation company in the United States. Since the Group has maintained control of the company, the transaction is one involving a non-controlling interest;
- > acquisition, on April 8, 2015, of the remaining 49% of **Energia Eolica**, a wind generation company operating in Italy in which the Group already held an interest of 51%.

- > Disposal, completed in early March 2016, of **Compostilla Re**, which at December 31, 2015 had been classified as "held for sale". The sale price was €101 million (the company also held liquid assets of about €111 million) and generated a gain of about €19 million;
- > disposal, on May 1, 2016, of 65% of **Drift Sand Wind Project**, a company operating in the wind generation sector in the United States. The sale price was €72 million and generated a gain of about €2 million and a re-measurement at fair value of the remaining 35% of about €4 million;
- > disposal, completed on July 13, 2016, of **Enel Longanesi**, which held the Italian assets (composed of 21 applications for onshore and offshore exploration permits and exploration permits) in the upstream gas sector. The maximum sales price is €30 million, of which about €7 million were collected immediately, while the right to receive the remainder (in multiple tranches) is subject to a number of conditions, such as the start of production at the Longanesi gas field in Emilia Romagna, scheduled for 2019, and price developments in the gas market. No capital losses were recognized through profit or loss given that its value had already be adjusted to estimated realizable value;
- > disposal, on July 28, 2016, of 50% of **Slovak Power Holding** ("SPH"), which in turn holds 66% of **Slovenské elektrárne** ("SE"). More specifically, Enel Produzione finalized the disposal to EP Slovakia, a subsidiary of Energetický a průmyslový holding ("EPH"), of 50% of SPH in execution of the contract agreed on December 18, 2015 between Enel Produzione and EP Slovakia. The total price for the two phases, equal to €750 million (of which €150 million paid immediately in cash), is subject to a price adjustment mechanism, which will be calculated by independent experts and applied at the closing of the second phase on the basis of a number of parameters, including the evolution of the net financial position of SE, developments in energy prices in the Slovakian market, the operating efficiency of SE measured on the basis of benchmarks defined in the contract and the enterprise value of Mochovce units 3 and 4. Accordingly, the financial receivable generated by the disposal is measured at fair value through profit or loss. The same parameters described above were used in determining the recoverable value of the interest in the SPH joint venture;
- > acquisition of control, on October 1, 2016, of **Distribuidora Eléctrica de Cundinamarca** ("DEC"), previously

accounted for using the equity method, through the merger of DEC into Codensa (which had already held 49%); for more details, please see note 5.1 below;

- > loss of control, on November 21, 2016, following changes in governance arrangements and the disposal of an interest of 1%, for €12 million, of **EGPNA Renewable Energy Partners** ("EGPNA REP"), a developer of renewables generation projects in the United States. As from that date, it has been accounted for using the equity method. The transaction involved the recognition of a gain of €2 million and the recognition of income from remeasurement at fair value of the 50% still held by EGPNA of €95 million;
- > disposal, on November 30, 2016, of 100% of **Enel France**, a thermal generation company in France at a price of about zero, generating a loss of €4 million;
- > loss of control, on December 20, 2016, of **Enel OpEn Fiber** (now OpEn Fiber - OF) following a capital increase by Enel and CDP Equity ("CDPE"), after which Enel and CDPE hold an equal stake in OF, which is therefore accounted for as from that date using the equity method;
- > disposal, on December 28, 2016, of the **Cimarron** and **Lindahl** wind farms to the EGPNA REP joint venture, the starting point of a new industrial growth strategy founded on a less capital-intensive "Build, Sell and Operate";
- > virgolette graziate approach intended to accelerate the development of project pipelines at the global level. The loss of control generated a gain of €37 million;
- > disposal, on December 30, 2016, of 100% of **Marcinelle Energie**, a thermal generation company in Belgium, for a total of €36,5 million, all of which has been paid. During 2016, the net asset value of Marcinelle was adjusted to its estimated realizable value with the recognition of an impairment loss of €51 million. The sales price is subject to customer price adjustments that include an earn-out clause.

In addition to the above changes in the scope of consolidation, the period also saw the following transactions, which although they do not represent transactions involving the acquisition or loss of control, gave rise to a change in the interest held by the Group in the investees:

- > disposal, on February 29, 2016, of the remaining interest in **Hydro Dolomiti Enel**, a company operating in the hydroelectric generation sector in Italy. The sales price was initially estimated at €335 million. Subsequently, following specification of a price adjustment (a negative €22 million) in application of the contractual price formula up-

dated on the basis of the final disposal accounts, a capital gain of €124 million was recognized;

- > on March 31, 2016, the non-proportional demerger of **Enel Green Power** took effect, following which – with a capital increase by Enel SpA as part of the demerger – the Group increased its stake in the company from 68.29% to 100%, with the consequent reduction of non-controlling interests; for more information, please see note 5.2 below;
- > on May 3, 2016, Enel Green Power acquired the remaining 40% of **Maicor Wind**, a company operating in the wind generation sector in Italy, thus becoming its sole shareholder;
- > on July 27, 2016, Enel Green Power International, a wholly-owned subsidiary of Enel, sold 60% of **Enel Green Power España** ("EGPE") to Endesa Generación, a whol-

ly-owned subsidiary of Endesa, which as it already held the other 40% of EGPE became its sole shareholder. In the consolidated financial statements, the transaction produced a decrease in the interest pertaining to the Group (from 88.04% to 70.10%) in the results of EGPE as from the time the operation took effect;

- > merger, on December 1, 2016, into **Enel Américas** of Endesa Américas and Chilectra Américas, companies created with the demerger of Enersis, Endesa Chile and Chilectra. As the combined effect of exchange ratios between shares and the exercise of the right of withdrawal by some shareholders of the companies involved in the transaction, the percentage interest in the companies held directly or indirectly by Enel Américas changed. For more information, please see note 5.3 below.

## 5.1 Acquisition of control of Distribuidora Eléctrica de Cundinamarca

On October 1, 2016, the Codensa subsidiaries Distribuidora Eléctrica de Cundinamarca SA ("DEC") and Empresa de Energía de Cundinamarca ("EEC") were merged into Codensa itself. More specifically, the merger was carried

out with no monetary impact by way of the exchange of newly issued Codensa shares (equal to 1.25% of share capital, with a fair value of €25 million) with DEC and EEC shares. The following table reports the effects of the transaction at the consolidated level, which involved a negative remeasurement at fair value of the interests held previously in DEC and EEC of €10 million and the recognition of negative goodwill from the business combination of €4 million.

### Effects of the transaction

Millions of euro

Property, plant and equipment	125
Trade receivables	19
Cash and cash equivalents	8
Borrowings	(38)
Employee benefits	(27)
Provisions for risks and charges	(11)
Trade payables	(19)
Other net liabilities	(4)
Non-controlling interests	(29)
<b>Fair value of net assets corresponding to interest held previously</b>	<b>24</b>
<b>Carrying amount of book interest held previously</b>	<b>34</b>
<b>Remeasurement to fair value of the interest prior to acquisition of control</b>	<b>(10)</b>

Millions of euro

Fair value of interest held previously	24
Fair value of newly issued Codensa shares	25
<b>Cost of the acquisition</b>	<b>49</b>
<b>Fair value of net assets acquired</b>	<b>53</b>
<b>Negative goodwill</b>	<b>4</b>



## 5.2 Enel Green Power integration

Following the execution of the instrument of demerger on March 25, 2016, which took effect at the last moment of March 31, 2016, the partial, non-proportional demerger of Enel Green Power SpA ("EGP") to Enel was completed. The operation involved:

- > the assignment by EGP to Enel of the demerged assets represented by the 100% stake held by EGP in Enel Green Power International, a Dutch holding company that holds investments in nearly all companies operating in the renewable energy sector abroad, and all the assets, liabilities, contracts and other legal relationships associated with that investment; and
- > the retention by EGP of all remaining assets and liabilities other than those that are part of the demerged assets indicated above (and thus, essentially, all Italian operations and a small number of remaining foreign investments).

Since the transaction involved a non-proportional demerger:

- > shareholders of EGP other than Enel exchanged all the shares they hold in EGP with Enel shares at an exchange ratio of 0.486 Enel shares for each EGP share; and
- > Enel exchanged the shares corresponding to its stake in the demerged assets with Enel shares, which were immediate-

ly cancelled in accordance with Article 2504-ter, paragraph 2, and Article 2506-ter, paragraph 5, of the Italian Civil Code.

At the consolidated level, the operation therefore involved:

- > an increase of €764 million in the share capital of Enel SpA (which at March 31, 2016 was therefore equal to €10,166,679,946, represented by the same number of ordinary shares with a par value of €1 each), following the issue of shares as part of the demerger;
- > an increase in the share premium reserve of €2,212 million, reflecting the value of the shares issued as part of the demerger;
- > a reclassification of €80 million from non-controlling interests to a Group equity reserve to reflect the increase in the investment in EGP from 68.29% to 100%;
- > a reduction of non-controlling interests in respect of the financial outlay incurred to redeem the shares of former EGP shareholders who exercised the right of withdrawal (€27 million);
- > the recognition, directly in equity as a reduction in the share premium reserve, of transaction costs (€14 million net of tax effects).

### Effects of the transaction

Millions of euro

Increase in share capital	764
Increase in share premium reserve	2,212
Cash payment following exercise of the right of withdrawal	27
<b>Cost of the acquisition</b>	<b>3,003</b>
<b>Non-controlling interests acquired <sup>(1)</sup></b>	<b>(2,026)</b>
Reserve from transactions in non-controlling interests	(977)

(1) Does not include portion under other comprehensive income in the amount of €80 million.

## 5.3 Corporate reorganization in Latin America

During 2016, the ownership structure of the companies previously belonging to the Enersis Group underwent a far-reaching reorganization with a view to separating assets in Chile from those in the other Latin American countries. The first step in the reorganization – in March 2016 – involved the split of Enersis into two companies (Enersis Chile – now Enel Chile – and Enersis Américas – now Enel Américas), with an analogous process for the subsidiaries Endesa Chile and Chilectra. At the extraordinary shareholders' meeting of September 28, 2016, shareholders of Enersis Américas, Endesa Américas and Chilectra Américas approved, with more than two

thirds of voting shares of each of the entities, the merger of the three companies.

On September 14, 2016, Enersis Américas initiated a tender offer for all shares issued by Endesa Américas and a tender offer for the American Depositary Shares ("ADS"). The offer closed – once all conditions had been met – on October 28, 2016, increasing the interest in Endesa Américas by 3.23%, with a cash outlay of €140 million.

Following the merger, which took place on December 1, 2016, and taking account of the effects of the above tender offer, the Group's interest in all of the companies were changed, prompting a reclassification between Group equity and non-controlling interests.

## Segment information

The representation of performance and financial position by business area presented here is based on the approach used by management in monitoring Group performance for the two periods being compared.

For more information on performance and financial developments during the year, please see the dedicated section in the report on operations.

### Segment information for 2016 and 2015

#### Results for 2016 <sup>(1)</sup>

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	36,081	18,831	10,739	3,618	1,122	29	172	70,592
Revenue from transactions with other segments	876	122	29	180	3	-	(1,210)	-
<b>Total revenue</b>	<b>36,957</b>	<b>18,953</b>	<b>10,768</b>	<b>3,798</b>	<b>1,125</b>	<b>29</b>	<b>(1,038)</b>	<b>70,592</b>
Total costs	30,012	15,522	7,221	3,030	291	15	(908)	55,183
Net income/(expense) from commodity contracts measured at fair value	(266)	131	9	(6)	(1)	-	-	(133)
Depreciation and amortization	1,698	1,677	952	246	249	12	56	4,890
Impairment losses	596	359	442	248	19	7	55	1,726
Reversals of impairment losses	(2)	(240)	(1)	(18)	-	-	-	(261)
<b>Operating income</b>	<b>4,387</b>	<b>1,766</b>	<b>2,163</b>	<b>286</b>	<b>565</b>	<b>(5)</b>	<b>(241)</b>	<b>8,921</b>
<b>Capital expenditure</b>	<b>1,883</b>	<b>1,147</b>	<b>3,069</b>	<b>265 <sup>(2)</sup></b>	<b>1,832</b>	<b>304</b>	<b>52 <sup>(3)</sup></b>	<b>8,552</b>

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(3) Does not include €283 million regarding units classified as "held for sale".

(4) Does not include €7 million regarding units classified as "held for sale".

## Results for 2015 restated <sup>(1)</sup>

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	<b>Total</b>
Revenue from third parties	39,252	20,021	10,818	4,645	879	18	25	75,658
Revenue from transactions with other segments	1,475	463	10	345	3	-	(2,296)	-
<b>Total revenue</b>	<b>40,727</b>	<b>20,484</b>	<b>10,828</b>	<b>4,990</b>	<b>882</b>	<b>18</b>	<b>(2,271)</b>	<b>75,658</b>
Total costs	33,996	17,132	7,518	3,522	305	11	(1,955)	60,529
Net income/(expense) from commodity contracts measured at fair value	185	1	(4)	(17)	(2)	-	5	168
Depreciation and amortization	1,699	1,679	935	334	202	2	36	4,887
Impairment losses	629	422	69	1,700	35	1	122	2,978
Reversals of impairment losses	-	(221)	(18)	(14)	-	-	-	(253)
<b>Operating income</b>	<b>4,588</b>	<b>1,473</b>	<b>2,320</b>	<b>(569)</b>	<b>338</b>	<b>4</b>	<b>(469)</b>	<b>7,685</b>
<b>Capital expenditure</b>	<b>1,843 <sup>(2)</sup></b>	<b>1,001</b>	<b>2,937</b>	<b>249 <sup>(3)</sup></b>	<b>720</b>	<b>311</b>	<b>52</b>	<b>7,113</b>

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(2) Does not include €1 million regarding units classified as "held for sale".

(3) Does not include €648 million regarding units classified as "held for sale".

## Financial position by segment

### At December 31, 2016

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	<b>Total</b>
Property, plant and equipment	25,981	24,174	17,411	3,048	4,831	780	46	76,271
Intangible assets	1,314	15,671	11,045	743	633	113	(34)	29,485
Trade receivables	9,429	2,243	1,835	317	111	18	(447)	13,506
Other	3,409	1,461	515	179	41	2	(134)	5,473
<b>Operating assets</b>	<b>40,133 <sup>(1)</sup></b>	<b>43,549</b>	<b>30,806</b>	<b>4,287</b>	<b>5,616 <sup>(2)</sup></b>	<b>913</b>	<b>(569)</b>	<b>124,735</b>
Trade payables	7,606	2,155	2,433	374	493	23	(396)	12,688
Sundry provisions	3,077	4,096	1,039	127	25	18	617	8,999
Other	7,125	3,042	1,850	305	210	54	340	12,926
<b>Operating liabilities</b>	<b>17,808</b>	<b>9,293</b>	<b>5,322</b>	<b>806</b>	<b>728</b>	<b>95</b>	<b>561</b>	<b>34,613</b>

(1) Of which €4 million regarding units classified as "held for sale".

(2) Of which €2 million regarding units classified as "held for sale".



## At December 31, 2015 restated

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Property, plant and equipment	25,998	24,640	14,115	6,658	5,174	394	72	77,051
Intangible assets	1,161	15,701	10,376	997	673	107	51	29,066
Trade receivables	8,862	2,260	1,815	410	110	6	(607)	12,856
Other	3,709	1,470	485	636	107	4	(334)	6,077
<b>Operating assets</b>	<b>39,730</b>	<b>44,071</b>	<b>26,791</b>	<b>8,701 <sup>(1)</sup></b>	<b>6,064</b>	<b>511</b>	<b>(818)</b>	<b>125,050</b>
Trade payables	6,982	2,156	2,349	809	395	80	(718)	12,053
Sundry provisions	3,626	3,828	834	2,062	34	14	661	11,059
Other	7,035	2,852	1,190	627	128	33	16	11,881
<b>Operating liabilities</b>	<b>17,643</b>	<b>8,836</b>	<b>4,373</b>	<b>3,498 <sup>(2)</sup></b>	<b>557</b>	<b>127</b>	<b>(41)</b>	<b>34,993</b>

(1) Of which €4,231 million regarding units classified as "held for sale".

(2) Of which €2,331 million regarding units classified as "held for sale".

The following table reconciles segment assets and liabilities and the consolidated figures.

Millions of euro

	at December 31, 2016	at December 31, 2015
<b>Total assets</b>	<b>155,596</b>	<b>161,179</b>
Equity investments accounted for using the equity method	1,558	607
Other non-current financial assets	3,892	3,274
Long-term tax receivables included in "Other non-current assets"	301	463
Other current financial assets	3,053	2,381
Derivatives	5,554	7,416
Cash and cash equivalents	8,290	10,639
Deferred tax assets	6,665	7,386
Income tax receivables	879	636
Long-term tax receivables included in "Other current assets"	664	706
Financial and tax assets of "Assets held for sale"	5	2,621
<b>Segment assets</b>	<b>124,735</b>	<b>125,050</b>
<b>Total liabilities</b>	<b>103,021</b>	<b>109,428</b>
Long-term borrowings	41,336	44,872
Short-term borrowings	5,372	2,155
Current portion of long-term borrowings	4,384	5,733
Other current financial liabilities	1,264	1,063
Derivatives	5,854	7,027
Deferred tax liabilities	8,768	8,977
Income tax payable	359	585
Other tax payables	1,071	990
Financial and tax liabilities included in disposal groups classified as "held for sale"	-	3,033
<b>Segment liabilities</b>	<b>34,613</b>	<b>34,993</b>

# Revenue

## 7.a Revenue from sales and services - €68,604 million

Millions of euro

	2016	2015	Change	
Revenue from the sale of electricity	42,337	46,638	(4,301)	-9.2%
Revenue from the transport of electricity	9,587	9,911	(324)	-3.3%
Fees from network operators	557	826	(269)	-32.6%
Transfers from institutional market operators	1,462	1,152	310	26.9%
Revenue from the sale of gas	3,876	4,045	(169)	-4.2%
Revenue from the transport of gas	563	509	54	10.6%
Revenue from fuel sales	7,028	7,104	(76)	-1.1%
Connection fees to electricity and gas networks	814	829	(15)	-1.8%
Revenue from the sale of environmental certificates	560	343	217	63.3%
Revenue from other sales and services	1,820	1,719	101	5.9%
<b>Total</b>	<b>68,604</b>	<b>73,076</b>	<b>(4,472)</b>	<b>-6.1%</b>

In 2016, “revenue from the sale of electricity” came to €42,337 million (€46,638 million in 2015), including €29,101 million in revenue from electricity sales to end users (€29,994 million in 2015), €11,009 million in revenue from wholesale electricity sales (€13,355 million in 2015), and €2,227 million in revenue from the trading of electricity (€3,289 million in 2015). The decrease was mainly due to a general reduction in volumes generated and transported in an environment of declining average sales prices and was heavily influenced by the deconsolidation of Slovenské elektrárne.

“Revenue from the transport of electricity” totaled €9,587 million in 2016, a decrease of €324 million, which was particularly concentrated in Italy where the effect of volume increases was more than offset by a reduction in distribution rates (under the provisions of Resolution 654/2015 of the Authority for Electricity, Gas and the Water System concerning the regulation of electricity transmission, distribution and metering rates for the 2016-2023 regulatory period) and by the further negative effect of greater revenue recognized in 2015 as a result of changes to the regulatory lag established with the above resolution.

In 2016, revenue related to “transfers from institutional market operators” came to €1,462 million, up €310 million

compared with the previous year. The increase can be attributed to the increase in incentives received as “feed-in premiums” (formerly green certificates) of the renewable energy companies in Italy following replacement of the green-certificate incentives mechanism under a Ministerial Decree of July 6, 2012.

“Revenue from the sale of gas” in 2016 came to €3,876 million (€4,045 million in 2015), decreasing by €169 million, due essentially to reduced revenue in the Iberian Peninsula as a result, in particular, of lower unit prices compared with the rates applied in 2015.

“Revenue from the transport of gas” totaled €563 million, increasing by €54 million (+10.6%) due above all to the greater quantities transported in Italy.

“Revenue from fuel sales” in 2016 amounted to €7,028 million, including €6,953 million for the sale of gas (€7,053 million in 2015) and €75 million for the sale of other fuels (€51 million in 2015). The decrease for the year was due to lower average prices.

Finally, “revenue from the sale of environmental certificates” increased by €217 million, largely due to an increase in sales of environmental certificates and CO<sub>2</sub> emissions allowances.

The table below gives a breakdown of revenue from sales and services by geographical area.

Millions of euro

	2016	2015
Italy	27,516	28,705
<b>Europe</b>		
Spain	17,097	18,261
Portugal	856	914
France	1,001	1,439
Switzerland	367	362
Germany	1,880	2,556
Austria	10	20
Slovenia	29	26
Slovakia	660	1,240
Romania	996	1,031
Greece	60	64
Bulgaria	9	9
Belgium	416	365
Czech Republic	382	679
Hungary	335	356
Russia	961	1,022
Netherlands	3,554	3,414
United Kingdom	1,008	1,214
Other European countries	144	67
<b>Americas</b>		
United States	367	463
Canada	-	11
Mexico	144	166
Brazil	2,536	2,864
Chile	3,510	3,377
Peru	1,215	1,226
Colombia	2,028	2,114
Argentina	1,051	588
Other South American countries	156	172
<b>Other</b>		
Africa	28	3
Asia	288	348
<b>Total</b>	<b>68,604</b>	<b>73,076</b>

## 7.b Other revenue and income - €1,988 million

Millions of euro

	2016	2015	Change	
Operating grants	22	8	14	-
Grants for environmental certificates	536	874	(338)	-38.7%
Capital grants (electricity and gas business)	19	17	2	11.8%
Sundry reimbursements	241	239	2	0.8%
Gains on disposal and negative goodwill on acquisitions of subsidiaries, associates, joint ventures, joint operations and non-current assets held for sale	399	313	86	27.5%
Gains on remeasurement at fair value after changes in control	99	80	19	23.8%
Gains on the disposal of property, plant and equipment, and intangible assets	65	52	13	25.0%
Service continuity bonuses	51	65	(14)	-21.5%
Other revenue	556	934	(378)	-40.5%
<b>Total</b>	<b>1,988</b>	<b>2,582</b>	<b>(594)</b>	<b>-23.0%</b>

“Grants for environmental certificates” decreased by €338 million from the prior year due to replacement of the green-certificate incentives mechanism as established by Ministerial Decree on July 6, 2012, as mentioned above.

“Sundry reimbursements” concern reimbursements from customers and suppliers totaling €57 million (€110 million in 2015) and insurance indemnities in the amount of €184 million (€129 million in 2015). This performance is in line with the previous year, although it includes an increase in insurance indemnities, particularly in Brazil for the distribution companies, which was nearly entirely offset by the decrease in Spain due to significant reimbursements from customers for fraudulent connections to the network recognized in 2015.

Gains on disposals and negative goodwill amounted to €399 million in 2016, an increase of €86 million, mainly attributable to a gain of €171 million on the sale GNL Quintero (an associated company in which the Group held a 20% interest), a gain of €124 million on the sale of Hydro Dolomiti Enel, and a gain of €35 million recognized by Enel Green Power Kansas for the sale of its subsidiaries Cimarron and Lindahl in

December 2016. There was also a gain of about €2 million on the sale of a 1% interest in Enel Green Power North America Renewable Energy Partner (“EGPNA REP”).

The figure for the previous year mainly included a gain of about €141 million on the sale of SE Hydropower, a gain of around €15 million from the sale of SF Energy and negative goodwill in the amount of €76 million following the acquisition of a controlling interest in 3Sun.

“Gains on remeasurement at fair value after changes in control” totaled €99 million and mainly concerned the aforementioned adjustment to fair value of the assets and liabilities of the Group following the loss of a controlling interest in EGPNA REP due to the sale of the 1% interest.

The decrease in “other revenue” is mainly attributable to the greater revenue recognized during the previous year (in the amount of €354 million) by the Argentine distribution company due to regulatory changes introduced with *Resolución 32/2015*, which were extensively revised following an increase in rates agreed on by regulators in Argentina beginning in 2016.

## Costs

### 8.a Electricity, gas and fuel purchases - €32,039 million

Millions of euro

	2016	2015	Change	
Electricity	18,514	22,218	(3,704)	-16.7%
Gas	10,514	11,710	(1,196)	-10.2%
Nuclear fuel	165	250	(85)	-34.0%
Other fuels	2,846	3,466	(620)	-17.9%
<b>Total</b>	<b>32,039</b>	<b>37,644</b>	<b>(5,605)</b>	<b>-14.9%</b>

“Electricity” purchases for 2016 included purchases from the Acquirente Unico (Single Buyer) in the amount of €3,169 million (€3,695 million in 2015) and from GME (Energy Markets Operator) in the amount of €1,769 million (€1,553 million in 2015). The decrease in the aggregate mainly regards the reduction in costs for electricity purchases on electricity exchanges and on national and international markets due to a decrease in both average prices and quantities purchased. Purchases of “gas” decreased by €1,196 million, essentially

due to a reduction in intermediation activities on the fuel market as result of both lower volumes handled and consumed and lower average unit costs compared with the previous year.

Purchases of “other fuels” diminished by €620 million, to €2,846 million in 2016, mainly due to the reduction in consumption in an environment of falling prices.

### 8.b Services and other materials - €17,393 million

Millions of euro

	2016	2015	Change	
Transmission and transport	9,448	9,118	330	3.6%
Maintenance and repairs	1,169	1,213	(44)	-3.6%
Telephone and postal costs	190	209	(19)	-9.1%
Communication services	113	104	9	8.7%
IT services	442	364	78	21.4%
Leases and rentals	541	577	(36)	-6.2%
Other services	3,782	3,794	(12)	-0.3%
Other materials	1,708	1,078	630	58.4%
<b>Total</b>	<b>17,393</b>	<b>16,457</b>	<b>936</b>	<b>5.7%</b>

Costs for services and other materials amounted to €17,393 million in 2016, an increase on 2015 of €936 million, due essentially to greater costs for the purchase of environmental certificates and CO<sub>2</sub> emissions allowances.

Transmission and transport costs increased by €330 million due mainly to an increase in electricity consumption in the leading markets in which the Group operates.

## 8.c Personnel - €4,637 million

Millions of euro

	2016	2015	Change	
Wages and salaries	3,127	3,306	(179)	-5.4%
Social security contributions	901	953	(52)	-5.5%
Deferred compensation benefits	105	125	(20)	-16.0%
Other post-employment and long-term benefits	129	(831)	960	-
Early retirement incentives	228	1,601	(1,373)	-85.8%
Other costs	147	159	(12)	-7.5%
<b>Total</b>	<b>4,637</b>	<b>5,313</b>	<b>(676)</b>	<b>-12.7%</b>

Personnel costs amounted to €4,637 million in 2016, a decrease of €676 million.

The workforce contracted by 5,834 due both to the net balance of hirings and terminations related to early retirement incentives (a decrease of 1,554) and, above all, to the change in the scope of consolidation (a decrease of 4,280) related essentially to the deconsolidation of the companies in Slovakia.

The reduction in “wages and salaries” and in “social security contributions” essentially reflects the decrease in the average workforce in 2016 as described below.

The change in “other post-employment and long-term benefits” can essentially be attributed to the reversal of the provision for the electricity discount related to former Italian

employees (€902 million) following the unilateral revocation of that benefit in 2015.

“Early retirement incentives” amounted to €228 million in 2016. The decrease compared with 2015 (in the amount of €1,373 million) is mainly attributable to the agreements for early retirement reached in Italy in December 2015, in accordance with Article 4 of Law 92/2012 (€1,128 million) and to the reduction in early-retirement terminations in Spain (“*Acuerdo Voluntario de Salida*”), which produced a decrease of €159 million in costs compared with 2015.

For more details, see the section concerning the provision for early retirement incentives under note 35 below.

The table below shows the average number of employees by category, along with a comparison with the previous year, as well as the actual numbers as of December 31, 2016.

	Average number <sup>(1)</sup>			Headcount <sup>(1)</sup>
	2016	2015	Change	at Dec. 31, 2016
Senior managers	1,329	1,457	(128)	1,284
Middle managers	10,185	10,177	8	9,795
Office staff	34,373	34,769	(396)	32,654
Blue collar	19,401	21,978	(2,577)	18,347
<b>Total</b>	<b>65,288</b>	<b>68,381</b>	<b>(3,093)</b>	<b>62,080</b>

(1) For companies consolidated on a proportionate basis, the headcount corresponds to Enel percentage share of the total.

## 8.d Depreciation, amortization and impairment losses - €6,355 million

Millions of euro

	2016	2015	Change	
Property, plant and equipment	4,171	4,190	(19)	-0.5%
Investment property	8	8	-	-
Intangible assets	711	689	22	3.2%
Impairment losses	1,726	2,978	(1,252)	-42.0%
Reversals of impairment losses	(261)	(253)	(8)	-3.2%
<b>Total</b>	<b>6,355</b>	<b>7,612</b>	<b>(1,257)</b>	<b>-16.5%</b>

“Depreciation, amortization and impairment losses” for 2016 decreased by €1,257 million due mainly to a reduction

in impairment losses recognized in 2016 as compared with the previous year, as detailed and described below.

Millions of euro

	2016	2015	Change	
<b>Impairment losses:</b>				
- property, plant and equipment	280	1,246	(966)	-77.5%
- investment property	6	5	1	20.0%
- intangible assets	241	68	173	-
- goodwill	31	13	18	-
- trade receivables	973	1,058	(85)	-8.0%
- assets classified as held for sale	74	574	(500)	-87.1%
- other assets	121	14	107	-
<b>Total impairment losses</b>	<b>1,726</b>	<b>2,978</b>	<b>(1,252)</b>	<b>-42.0%</b>
<b>Reversals of impairment losses:</b>				
- property, plant and equipment	(2)	(21)	19	-90.5%
- investment property	-	-	-	-
- intangible assets	(5)	-	(5)	-
- trade receivables	(250)	(230)	(20)	-8.7%
- assets classified as held for sale	-	-	-	-
- other assets	(4)	(2)	(2)	-
<b>Total reversals of impairment losses</b>	<b>(261)</b>	<b>(253)</b>	<b>(8)</b>	<b>-3.2%</b>

“Impairment losses” decreased by €1,252 million on the previous year.

Impairment losses on property, plant and equipment in 2016 mainly concerned adjustments to the value of a number of assets connected with the construction of hydroelectric plants on the Choshuenco and Neltume rivers in Chile for which there have been certain procedural difficulties (€33 million), as well as to: impairment testing of the CGUs of Enel Green Power Romania (€68 million) and Nuove Energie (for a total

of €92 million, €66 million of which on property, plant and equipment and €26 million on goodwill); impairment losses of €51 million on the assets of Marcinelle, a subsidiary that was sold in November 2016; impairment of €55 million on upstream gas exploration assets; impairment losses on land owned by the Spanish subsidiary operating in the distribution segment (€22 million); and other minor items related mainly to companies operating in the renewable energy segment. Impairment losses on property, plant and equipment in

2015, which were much higher than for the year under review, mainly regarded:

- > power plants in Russia in the amount of €899 million;
- > the property, plant and equipment of Enel Green Power Romania for €139 million and of 3Sun for €42 million;
- > a number of mineral exploration assets in Algeria (attributable to the upstream gas area) totaling €132 million.

Impairment losses on intangible assets came to €241 million in 2016 and mainly concerned adjustments to the value of rights to use the water of the Neltume river mentioned above (€240 million).

Impairment losses recognized on assets classified as held for sale in 2015, in the amount of €574 million, concerned the net assets of Slovenské elektrárne.

## 8.e Other operating expenses - €2,783 million

Millions of euro

	2016	2015	Change	
System charges - emissions allowances	557	340	217	63.8%
System charges - energy efficiency certificates	426	315	111	35.2%
System charges - green certificates	(19)	181	(200)	-
Losses on disposal of property, plant and equipment, and intangible assets	266	49	217	-
Taxes and duties	1,060	1,272	(212)	-16.7%
Other	493	497	(4)	-0.8%
<b>Total</b>	<b>2,783</b>	<b>2,654</b>	<b>129</b>	<b>4.9%</b>

Other operating expenses, totaling €2,783 million, increased by €129 million due essentially to the following:

- > the release of the nuclear fuel disposal provision in Slovakia in the 3rd Quarter of 2015 in the amount of €550 million, based on a study conducted by independent experts, following the new regulations introduced in July 2015 by the Slovak Government, which approved a new strategy for dealing with the “back end” of spent nuclear fuel;
- > losses in the amount of €196 million recognized in Latin America due to the waiving of water rights for six development projects in Chile and Peru following an analysis of their profitability and socio-economic impact. This concerned the Puelo, Futaleufú, Bardón, Chillán 1 and 2, and Huechún projects in Chile (€166 million) and the Curibamba and Marañon projects in Peru (€30 million);
- > a reduction in costs (€56 million) as the combined effect of provisions made in 2015 and their subsequent reversal in 2016 (€28 million) related to obligations for the construction and development of the hydroelectric plant in Girabolhos, Portugal;
- > the provision of €327 million recognized in 2015 for indemnities for the unilateral revocation, for former employees in Italy, of the electricity discount as from December 31, 2015, which was then reversed in 2016 in the amount

of €56 million for non-participation by the deadline of December 31, 2016;

- > the reversal of the provision for disputes allocated in relation to the SAPE dispute in the amount of €80 million following the arbitration award in 2016.

Net of these items, other operating expenses declined by €98 million due essentially to the following:

- > a decrease of €212 million in taxes and duties related essentially to:
  - a reduction of €76 million in power generation taxes in Spain under Law 15/2012 in correlation with a decline in quantities generated;
  - elimination of the nuclear power generation tax, which was deemed to be unconstitutional, in Catalonia, Spain, in the amount of €89 million;
  - the reduction in environmental taxes in a number of Italian regions due to lower local property taxes following certain regulatory changes in the taxation of industrial plants (about €60 million);
- > an increase in environmental compliance charges for a total of €129 million.



## 8.f Capitalized costs - €(1,669) million

Millions of euro

	2016	2015	Change	
Personnel	(730)	(746)	16	2.1%
Materials	(544)	(433)	(111)	-25.6%
Other	(395)	(360)	(35)	-9.7%
<b>Total</b>	<b>(1,669)</b>	<b>(1,539)</b>	<b>(130)</b>	<b>-8.4%</b>

Capitalized costs consist of €730 million in personnel costs, €544 million in materials costs, and €395 million in service costs (compared with €746 million, €433 million, and €360 million, respectively, in 2015).

## 9. Net income/(expense) from commodity contracts measured at fair value - €(133) million

Net expense from commodity contracts measured at fair value amounted to €133 million, the result of net unrealized income on open positions in derivatives at December 31, 2016, in the amount of €74 million (net expense of €304 million in 2014) and net realized expense on positions closed during the year of €207 million (net income of €472 million in 2015).

Millions of euro

	2016	2015	Change	
Income:				
- unrealized on positions open at the end of the period	2,568	2,832	(264)	-9.3%
- realized on positions closed during the period	7,815	6,702	1,113	16.6%
Total income	10,383	9,534	849	8.9%
Expense:				
- unrealized on positions open at the end of the period	(2,494)	(3,136)	642	-20.5%
- realized on positions closed during the period	(8,022)	(6,230)	(1,792)	-28.8%
Total expenses	(10,516)	(9,366)	(1,150)	-12.3%
NET INCOME/(EXPENSE) FROM COMMODITY CONTRACTS MEASURED AT FAIR VALUE	(133)	168	(301)	-

## 10. Net financial income/(expense) from derivatives - €(937) million

Millions of euro

	2016	2015	Change
<b>Income:</b>			
- income from cash flow hedge derivatives	475	1,507	(1,032) -68.5%
- income from derivatives at fair value through profit or loss	1,369	907	462 50.9%
- income from fair value hedge derivatives	40	41	(1) -2.4%
<b>Total income</b>	<b>1,884</b>	<b>2,455</b>	<b>(571) -23.3%</b>
<b>Expense:</b>			
- expense on cash flow hedge derivatives	(1,141)	(330)	(811) -
- expense on derivatives at fair value through profit or loss	(1,620)	(1,145)	(475) -41%
- expense on fair value hedge derivatives	(60)	(30)	(30) -
<b>Total expenses</b>	<b>(2,821)</b>	<b>(1,505)</b>	<b>(1,316) -87.4%</b>
<b>TOTAL FINANCIAL INCOME/(EXPENSE) FROM DERIVATIVES</b>	<b>(937)</b>	<b>950</b>	<b>(1,887) -</b>

Net expense from derivatives amounted to €937 million in 2016 (as compared with net income of €950 million in 2015), which can be broken down as follows:

- > net expense on cash flow hedge derivatives in the amount of €666 million (compared with net income of €1,177 million in 2015);
- > net expense on derivatives at fair value through profit or loss in the amount of €251 million (compared with €238 million in 2015);

- > net expense on fair value hedge derivatives in the amount of €20 million (compared with net income of €11 million in 2015).

For more information on derivatives, see note 44 "Derivatives and hedge accounting".

## 11. Other net financial income/(expense) - €(2,050) million

### Other financial income

Millions of euro

	2016	2015	Change
<b>Interest income from financial assets (current and non-current):</b>			
- interest income at effective rate on non-current securities and receivables	45	85	(40) -47.1%
- interest income at effective rate on short-term financial investments	179	180	(1) -0.6%
<b>Total interest income at the effective interest rate</b>	<b>224</b>	<b>265</b>	<b>(41) -15.5%</b>
<b>Financial income on non-current securities at fair value through profit or loss</b>	<b>-</b>	<b>5</b>	<b>(5) -</b>
<b>Exchange gains</b>	<b>1,776</b>	<b>882</b>	<b>894 -</b>
<b>Income on equity investments</b>	<b>9</b>	<b>11</b>	<b>(2) -18.2%</b>
<b>Other income</b>	<b>280</b>	<b>400</b>	<b>(120) -30.0%</b>
<b>TOTAL FINANCIAL INCOME</b>	<b>2,289</b>	<b>1,563</b>	<b>726 46.4%</b>

“Other financial income,” in the amount of €2,289 million, increased by €726 million compared with the previous year due to:

- > an increase in exchange gains in the amount of €894 million, reflecting the impact, above all, of developments in exchange rates on net financial debt denominated in currencies other than the euro;
- > a decrease of €41 million in interest income at the effective interest rate related essentially to long-term financial receivables and a slight reduction in income on equity investments, which came to €9 million in 2016;

- > a decrease of €120 million in other income due essentially to the recognition in 2015 of income related to regulatory items on the electricity-distribution business in Argentina following the changes introduced by Resolutions 476/2015 and 1208/2015 concerning the CAMMESA remuneration mechanism (a total of €86 million) and interest recognized in 2015 on the refund of the “eco-tax” in the Extremadura region in Spain (€10 million).

## Other financial expense

Millions of euro

	2016	2015	Change	
Interest expense on financial debt (current and non-current):				
- interest on bank borrowings	405	371	34	9.2%
- interest expense on bonds	2,135	2,314	(179)	-7.7%
- interest expense on other borrowings	138	143	(5)	-3.5%
Total interest expense	2,678	2,828	(150)	-5.3%
Expense on securities at fair value through profit or loss	1	-	1	-
Exchange losses	947	1,738	(791)	-45.5%
Accretion of post-employment and other employee benefits	79	101	(22)	-21.8%
Accretion of other provisions	286	210	76	36.2%
Charges on equity investments	-	3	(3)	-
Other charges	349	89	260	-
TOTAL FINANCIAL EXPENSE	4,339	4,969	(630)	-12.7%

“Other financial expense” amounted to €4,339 million, a total decrease of €630 million on 2015. The change reflects the following factors in particular:

- > a decrease of €179 million in interest expense on bonds attributable mainly to Enel SpA (€89 million) and Enel Finance International (€92 million);
- > a decrease of €791 million in exchange losses due to the performance of the euro against the other currencies in which bonds have been issued;
- > a decrease of €22 million in charges from accretion of post-employment and other employee benefits due essentially to the elimination of interest on the electricity discount (see note 34 for details);
- > an increase of €76 million in the accretion of other provisions, mainly related to *Resolución* ENRE 1/2016, which resulted in the accretion of a number of past fines being

disputed in Argentina (€63 million) and an increase in interest expense on the early-retirement provision (€57 million). These factors were only partially offset by a reduction in charges for the decommissioning provision (€48 million) following the deconsolidation of Slovenské elektrárne (“SE”);

- > an increase of €260 million in other charges (€349 million in 2016 compared with €89 million in 2015), due essentially to the adjustment of the fair value of the financial receivable that arose from the sale of a 50% interest in Slovak Power Holding (a negative €220 million) in light of updates to a number of parameters used to determine the pricing formula, including the evolution of the net financial position of SE, the developments in energy prices in the Slovak market, the level of operating efficiency of SE measured on the basis of benchmarks defined by

contract, and the enterprise value of Mochovce units 3 and 4. It should also be noted that measurement of the equity investment takes account of the current best

estimate of these parameters, which depend, in part, on meeting the budget and on the time it takes to complete the Mochovce plant.

## 12. Share of income/(losses) of equity investments accounted for using the equity method - €(154) million

Millions of euro

	2016	2015	Change
Share of income of associates	115	152	(37) -24.3%
Share of losses of associates	(269)	(100)	(169) -
<b>Total</b>	<b>(154)</b>	<b>52</b>	<b>(206)</b> -

The share of income and losses of equity investments accounted for using the equity method decreased by €206 million compared with the previous year. This change was mainly due to the adjustment to the value of the 50% equity interest in Slovak Power Holding (€219 million) recognized following the aforementioned changes to the parameters used to determine the pricing formula, including the change in the net financial position for SE, the trend in energy

prices on the Slovak market, the levels of operating efficiency of SE measured based on benchmarks defined by contract, and the enterprise value of Mochovce units 3 and 4. It should also be noted that measurement of the equity investment takes account of the current best estimate of these parameters, which depend, in part, on meeting the budget and on the time it takes to complete the Mochovce plant.

## 13. Income taxes - €1,993 million

Millions of euro

	2016	2015	Change
Current taxes	1,695	2,061	(366) -17.8%
Adjustments for income taxes relating to prior years	1	(19)	20 -
<b>Total current taxes</b>	<b>1,696</b>	<b>2,042</b>	<b>(346)</b> <b>-16.9%</b>
Deferred tax liabilities	(312)	(125)	(187) -
Deferred tax assets	609	(8)	617 -
<b>TOTAL</b>	<b>1,993</b>	<b>1,909</b>	<b>84</b> <b>4.4%</b>

Income taxes for 2016 amounted to €1,993 million, compared with €1,909 million in 2015.

The increase of €84 million in income taxes for 2016 compared with the previous year reflects both the increase in pre-tax income and the following factors:

- > the increase in taxes recognized in 2016 following an adjustment of €60 million in deferred tax liabilities due to the change to the income tax rate in Peru from a descending rate (27% for 2017 and 2018 and 26% thereafter) to a fixed rate of 29.5%;

- > the effect of the recognition in 2015 of a negative adjustment of net deferred tax assets in the amount of €197 million due to the effect of the Stability Act, which reduced the corporate income tax rate (IRES) in Italy from 27.5% to 24%;
- > the change in the contribution of operations subject to tax rates that varied from the theoretical rates (in 2016, the gains on Hydro Dolomiti Enel and GNL Quintero and the value adjustments to the assets related to Slovak Power Holding and, in 2015, the gain on the sale of SE Hydropower and the fair value measurement and negative goodwill of 3Sun).

Millions of euro

	2016	2015
Income before taxes	5,780	5,281
Theoretical taxes	1,590 27.5%	1,452 27.5%
Change in tax effect on impairment losses, capital gains and negative goodwill	118	(51)
Additional taxes for change in tax rate on temporary fiscal differences during the year	44	-
Impact on deferred taxation of changes in tax rates	55	197
IRAP	208	250
Other differences, effect of different foreign tax rates, and minor items	(22)	61
<b>Total</b>	<b>1,993</b>	<b>1,909</b>

## 14. Basic and diluted earnings per share

Both metrics are calculated on the basis of the average number of ordinary shares in the period, equal to 9,975,849,408 shares, adjusted for the diluting effect of outstanding stock options (none in both periods).

As a result of the change in the number of ordinary shares during 2016 due to the partial non-proportional demerger of Enel Green Power SpA to Enel SpA, which involved the issue of 763,322,151 new ordinary shares with a par value of €1 each

on March 31, 2016, the share capital of the Parent Company now consists of 10,166,679,946 ordinary shares with a par value of €1 each.

The number of shares used to calculate earnings per share therefore reflects the weighting of the number of shares outstanding by the corresponding fraction of the year in which they were in circulation.

	2016	2015	Change
Net income from continuing operations attributable to shareholders of the Parent Company (millions of euro)	2,570	2,196	374 17.0%
Net income from discontinued operations attributable to shareholders of the Parent Company (millions of euro)	-	-	-
Net income attributable to shareholders of the Parent Company (millions of euro)	2,570	2,196	374 17.0%
Average number of ordinary shares	9,975,849,408	9,403,357,795	572,491,613 6.1%
Dilutive effect of stock options	-	-	-
Basic and diluted earnings per share (euro)	0.26	0.23	0.03 13.0%
Basic and diluted earnings from continuing operations per share (euro)	0.26	0.23	0.03 13.0%
Basic and diluted earnings from discontinued operations per share (euro)	-	-	-

## 15. Property, plant and equipment - €76,265 million

The breakdown of and changes in property, plant and equipment for 2016 are shown below.

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment
Cost	663	8,788	147,014	400
Accumulated depreciation and impairment	-	4,959	85,910	323
<b>Balance at Dec. 31, 2015</b>	<b>663</b>	<b>3,829</b>	<b>61,104</b>	<b>77</b>
Capital expenditure	2	110	1,316	20
Assets entering service	(20)	412	4,709	5
Exchange rate differences	19	103	1,138	-
Change in the scope of consolidation	(5)	(186)	(1,426)	(1)
Disposals	(1)	(28)	(86)	(1)
Depreciation	-	(137)	(3,800)	(17)
Impairment losses	-	-	(121)	-
Reversals of impairment losses	-	-	2	-
Other changes	2	23	159	(4)
Reclassifications to/from assets held for sale	-	-	(4)	-
<b>Total changes</b>	<b>(3)</b>	<b>297</b>	<b>1,887</b>	<b>2</b>
Cost	660	9,224	152,781	414
Accumulated depreciation and impairment	-	5,098	89,790	335
<b>Balance at Dec. 31, 2016</b>	<b>660</b>	<b>4,126</b>	<b>62,991</b>	<b>79</b>

Other assets	Leased assets	Leasehold improvements	Assets under construction and advances	Total
1,289	1,030	364	6,468	166,016
1,035	258	224	-	92,709
<b>254</b>	<b>772</b>	<b>140</b>	<b>6,468</b>	<b>73,307</b>
39	7	12	6,131	7,637
56	-	29	(5,191)	-
10	8	(2)	412	1,688
(4)	-	(1)	(577)	(2,200)
(2)	(2)	-	(81)	(201)
(75)	(45)	(42)	-	(4,116)
-	-	-	(159)	(280)
-	-	-	-	2
(8)	(10)	13	262	437
-	-	-	(5)	(9)
<b>16</b>	<b>(42)</b>	<b>9</b>	<b>792</b>	<b>2,958</b>
1,336	1,015	402	7,260	173,092
1,066	285	253	-	96,827
<b>270</b>	<b>730</b>	<b>149</b>	<b>7,260</b>	<b>76,265</b>

“Plant and machinery” includes assets to be relinquished free of charge with a net carrying amount of €9,459 million (€8,516 million at December 31, 2015), largely regarding power plants in the Iberian Peninsula and Latin America amounting to €5,280 million (€5,155 million at December 31, 2015) and the electricity distribution network in Latin America totaling €3,630 million (€2,998 million at December 31, 2015).

For more information on “leased assets,” see note 17 below.

The types of capital expenditure made during 2016 are summarized below. These expenditures, totaling €7,637 million, increased by €1,284 million from 2015, an increase that was particularly concentrated in wind and solar power plants.

Millions of euro

	2016	2015
<b>Power plants:</b>		
- thermal	694	757
- hydroelectric	551	807
- geothermal	265	197
- nuclear	115	128
- alternative energy sources	3,407	1,900
<b>Total power plants</b>	<b>5,032</b>	<b>3,789</b>
Electricity distribution networks	2,558	2,466
Land, buildings, and other assets and equipment	47	98
<b>TOTAL</b>	<b>7,637</b>	<b>6,353</b>

Capital expenditure on power plants amounted to €5,032 million, an increase of €1,243 million on the previous year, essentially reflecting increased investment in alternative-energy plants, mainly wind, in the amount of €2,207 million, and photovoltaic plants, in the amount of €1,185 million. In terms of geographical distribution, growth in capital expenditure was particularly significant in North America, Latin America and South Africa.

Expenditure on the electricity distribution network totaled €2,558 million and increased by €92 million from the previous year. The rise is essentially attributable to the efforts to increase and maintain service-quality levels in Italy.

The “change in the scope of consolidation” for 2016 is mainly related to the sales in the United States in December as a result of joint-venture agreements with General Electric (EGPNA Renewable Energy Partners, Cimarron, and Lindahl).

“Impairment losses” on property, plant and equipment amounted to €280 million. For a more detailed analysis, see note 8.d.

In addition to the impairment of the Enel Green Power Romania and Nuove Energie CGUs noted elsewhere, at December 31, 2016, testing was conducted of the reco-

verability of the value of the assets of a number of other CGUs (Enel Russia, Enel Green Power Hellas and Enel Produzione) that showed evidence of impairment, following which it was determined that the values were essentially recoverable. The underlying assumptions used to perform this testing are summarized in the detailed table reported in note 20 below.

In order to verify the robustness of the value in use identified for those CGUs, sensitivity analyses were conducted for the main value drivers, and in particular WACC, the long-term growth rate and EBITDA, assuming individual changes in each assumption of up to 5% of the value used in the tests. Within those ranges of variation, it was found that:

- > for the Enel Produzione CGU, the main value drivers were broadly in line with those for breakeven;
- > for the Enel Russia CGU, achieving the breakeven level of the main value drivers is expected with an increase of 1.5% in the pre-tax WACC, a reduction of 1.2% in the growth rate and a contraction of 0.9% in EBITDA.

“Other changes” include, among other items, the effect of the capitalization of interest on specific loans for capital expenditure in the amount of €201 million (€208 million in 2015), as detailed in the following table.



Millions of euro

	2016	Rate (%)	2015	Rate (%)	Change	
Enel Green Power Group	146	5.2%	80	5.2%	66	45.2%
Enel Américas Group	28	18.1%	104	23.7%	(76)	-
Enel Chile Group	4	9.0%	-	-	4	-
Endesa Group	8	2.6%	7	2.7%	1	12.5%
Enel Produzione	13	4.8%	15	4.7%	(2)	-15.4%
Enel Trade	2	0.4%	2	0.4%	-	-
<b>Total</b>	<b>201<sup>(1)</sup></b>		<b>208<sup>(2)</sup></b>		<b>(7)</b>	<b>-3.5%</b>

(1) The figure does not include €46 million for the period in which Slovenské elektrárne was reclassified as held for sale.

(2) The figure does not include €51 million regarding units classified as held for sale.

At December 31, 2016, contractual commitments to purchase property, plant and equipment amounted to €537 million.

## 16. Infrastructure within the scope of “IFRIC 12 - Service concession arrangements”

Service concession arrangements, which are recognized in accordance with IFRIC 12, regard certain infrastructure serving concessions for electricity distribution in Brazil.

The following table summarizes the salient details of those concessions.

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	Amount recognized among financial assets at Dec. 31, 2016	Amount recognized among intangible assets at Dec. 31, 2016
Ampla Energia e Serviços	Brazilian Government	Electricity distribution	Brazil	1997-2026	10 years	Yes	654	1.079
Companhia Energética do Ceará	Brazilian Government	Electricity distribution	Brazil	1998-2028	11 years	Yes	322	876
Enel Green Power Mourão	Brazilian Government	Power generation	Brazil	2016-2046	29 years	No	8	-
Enel Green Power Paranapanema	Brazilian Government	Power generation	Brazil	2016-2046	29 years	No	38	-
<b>Total</b>							<b>1,022</b>	<b>1,955</b>

The value of the assets at the end of the concessions classified under financial assets has been measured at fair value.

For more information, see note 45 “Assets measured at fair value”.

## 17. Leases

The Group, in the role of lessee, has entered into finance lease agreements. They include certain assets which the Group is using in Spain, Peru, Italy and Greece. In Spain, the assets relate to a 25-year tolling agreement (19 years remaining) for which an analysis pursuant to IFRIC 4 identified an embedded finance lease, under which Endesa has access to the generation capacity of a combined-cycle plant for which the toller, Elecgas, has undertaken to transform gas into electricity in exchange for a toll at a rate of 9.62%.

In Peru, leases concern agreements related to financing for the Ventanilla combined-cycle plant (with an average term of

eight years remunerated at an annual rate of Libor + 1.75%) as at December 31, 2016, as well as an agreement that financed construction of a new open-cycle system at the Santa Rosa plant (with a term of nine years and annual interest of Libor + 1.75%).

The other lease agreements regard wind plants that the Group uses in Italy (expiring in 2030-2031 and with a discount rate of between 4.95% and 5.5%).

The carrying amount of assets held under finance leases is reported in the following table.

Millions of euro

	2016	2015	Change	
Property, plant and equipment	730	772	(42)	-5.4%
Intangible assets	-	-	-	-
<b>Total</b>	<b>730</b>	<b>772</b>	<b>(42)</b>	<b>-5.4%</b>

The following table reconciles total future minimum lease payments and the present value, broken down by maturity.

Millions of euro	Future minimum payments	Present value of future minimum payments	Future minimum payments	Present value of future minimum payments
	at Dec. 31, 2016		at Dec. 31, 2015	
<b>Periods:</b>				
2017	108	75	97	58
2018-2021	338	217	322	199
Beyond 2021	625	453	696	498
<b>Total</b>	<b>1,071</b>	<b>745</b>	<b>1,115</b>	<b>755</b>
Finance charges	(326)		(360)	
<b>Present value of minimum lease payments</b>	<b>745</b>		<b>755</b>	

The Group, in the role of lessee, has entered also into operating lease agreements regarding the use of certain assets for industrial purposes. The associated lease payments are expensed under "Services and other materials".

Costs for operating leases are broken down in the following table into minimum payments, contingent rents and sublease payments.

Millions of euro

	2016
Minimum lease payments	2,071
Contingent rents	-
Sublease payments	-
<b>Total</b>	<b>2,071</b>

The future minimum lease payments due by the Group under such leases break down by maturity as follows.

Millions of euro

	2016
<b>Periods:</b>	
within 1 year	205
beyond 1 year and within 5 years	787
beyond 5 years	1,079
<b>Total</b>	<b>2,071</b>

## 18. Investment property - €124 million

Investment property at December 31, 2016, amounted to €124 million, essentially in line with the previous year.

Millions of euro

	2016
Cost	187
Accumulated depreciation and impairment	43
<b>Balance at Dec. 31, 2015</b>	<b>144</b>
Assets entering service	-
Exchange rate differences	1
Depreciation	(8)
Impairment losses	(6)
Other changes	(7)
<b>Total changes</b>	<b>(20)</b>
Cost	167
Accumulated depreciation and impairment	43
<b>Balance at Dec. 31, 2016</b>	<b>124</b>

The Group's investment property consists of properties in Italy, Spain and Chile, which are free of restrictions on the realizability of the investment property or the remittance of income and proceeds of disposal. In addition, the Group has no contractual obligations to purchase, construct or develop

investment property or for repairs, maintenance or enhancements.

For more details on the valuation of investment property, see notes 45 "Assets measured at fair value" and 45.1 "Fair value of other assets".

## 19. Intangible assets - €15,929 million

A breakdown of and changes in intangible assets for 2016 are shown below.

Millions of euro	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Service concession arrangements	Other	Assets under development and advances	Total
Cost	28	2,999	13,394	2,972	1,642	574	21,609
Accumulated amortization and impairment	18	2,418	1,252	1,470	1,216	-	6,374
<b>Balance at Dec. 31, 2015</b>	<b>10</b>	<b>581</b>	<b>12,142</b>	<b>1,502</b>	<b>426</b>	<b>574</b>	<b>15,235</b>
Investments	4	138	29	361	11	372	915
Assets entering service	-	222	-	-	32	(254)	-
Exchange differences	1	4	624	394	7	16	1,046
Change in the scope of consolidation	-	(7)	(17)	-	(43)	(1)	(68)
Disposals	(13)	-	(123)	(36)	(9)	-	(181)
Amortization	(1)	(278)	(158)	(165)	(114)	-	(716)
Impairment losses	-	-	(241)	-	-	-	(241)
Reversals of impairment losses	-	-	5	-	-	-	5
Other changes	(1)	(33)	16	(101)	63	5	(51)
Reclassifications to assets held for sale	-	-	(14)	-	-	(1)	(15)
<b>Total changes</b>	<b>(10)</b>	<b>46</b>	<b>121</b>	<b>453</b>	<b>(53)</b>	<b>137</b>	<b>694</b>
Cost	19	3,213	13,910	3,946	1,632	711	23,431
Accumulated amortization and impairment	19	2,586	1,647	1,991	1,259	-	7,502
<b>Balance at Dec. 31, 2016</b>	<b>-</b>	<b>627</b>	<b>12,263</b>	<b>1,955</b>	<b>373</b>	<b>711</b>	<b>15,929</b>

“Industrial patents and intellectual property rights” relate mainly to costs incurred in purchasing software and open-ended software licenses. The most important applications relate to invoicing and customer management, the development of Internet portals and the management of company systems. Amortization is calculated on a straight-line basis over the asset’s residual useful life (on average between three and five years).

“Concessions, licenses, trademarks and similar rights” in-

clude the costs incurred for the acquisition of customers by the foreign electricity distribution and gas sales companies. Amortization is calculated on a straight-line basis over the term of the average period of the relationship with customers or of the concessions.

The following table reports service concession arrangements that do not fall within the scope of IFRIC 12.

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	<b>at Dec. 31, 2016</b>	Initial fair value
Endesa Distribución Eléctrica	-	Electricity distribution	Spain	Indefinite	Indefinite	-	5,679	5,673
Codensa	Republic of Colombia	Electricity distribution	Colombia	Indefinite	Indefinite	-	1,710	1,839
Enel Distribución Chile (formerly Chilectra)	Republic of Chile	Electricity distribution	Chile	Indefinite	Indefinite	-	1,716	1,667
Enel Distribución Perú (formerly Empresa de Distribución Eléctrica de Lima Norte)	Republic of Peru	Electricity distribution	Peru	Indefinite	Indefinite	-	671	548
Enel Distribuție Muntenia	Romanian Ministry for the Economy	Electricity distribution	Romania	2005-2054	37 years	Yes	150	191

The item includes assets with an indefinite useful life in the amount of €9,776 million (€9,454 million at December 31, 2015), essentially accounted for by concessions for distribution activities in Spain (€5,679 million), Colombia (€1,710 million), Chile (€1,716 million), and Peru (€671 million), for which there is no statutory or currently predictable expiration date. On the basis of the forecasts developed, cash flows for each CGU, with which the various concessions are associated, are sufficient to recover the carrying amount. The change during the year is essentially attributable to changes in exchange rates. For more information on service concession arrangements, please see note 24.

The “change in the scope of consolidation” for 2016 is mainly related to the sales in the United States in December as a result of joint-venture agreements with General Electric (EGPNA Renewable Energy Partners, Cimarron, and Lindahl).

“Impairment losses” amounted to €241 million in 2016. For more information, see note 8.d.

At December 31, 2016, contractual commitments for the acquisition of intangible assets amounted to €20 million.

## 20. Goodwill - €13,556 million

Goodwill amounted to €13,556 million, a decrease of €268 million for the year.

Millions of euro	at Dec. 31, 2015			Change in scope of cons.
	Cost	Cumulative impairment	Net carrying amount	
Endesa <sup>(1)</sup>	10,999	(2,392)	8,607	157
Latin America	3,285	-	3,285	-
Enel Green Power Group <sup>(2)</sup>	798	(132)	666	(157)
Enel Energia	579	-	579	-
Enel Distributie Muntenia	548	-	548	-
Enel Energie Muntenia	113	-	113	-
Nuove Energie	26	-	26	-
<b>Total</b>	<b>16,348</b>	<b>(2,524)</b>	<b>13,824</b>	<b>-</b>

(1) Includes Enel Green Power España.

(2) Includes Enel Green Power Latin America, Enel Green Power North America, Enel Green Power Hellas, Enel Green Power Romania, Enel Green Power Bulgaria, Enel Green Power Italia.

The “change in the scope of consolidation” mainly refers to the sale of the equity investment in Enel Green Power España to Endesa.

The “other changes” mainly refer to the reduction of goodwill for the two Romanian companies, Enel Distributie Muntenia and Enel Energie Muntenia, as a result of:

- > an adjustment to the value of debt related to the put option on 13.6% based on the international arbitration ruling with SAPE, which was concluded in February 2017;
- > a 10% reduction in the Group’s interest following the cessation of the tag-along rights of former employees tied to the put option supported by further analyses by outside legal counsel.

It should be noted that the transaction has been recognized in compliance with paragraphs 65A to 65E of IFRS 3, which make reference to the previous version of IFRS 3 for option rights granted when said version was applicable. This standard provided the option of recognizing changes in debt for

put options as an entry to goodwill in the event the option right had been granted in conjunction with a business combination and classified, for accounting purposes, as contingent consideration.

The criteria used to identify the cash generating units (CGUs) were essentially based – in line with management’s strategic and operational vision – on the specific characteristics of their business, on the operational rules and regulations of the markets in which Enel operates and on the corporate organization, as well as on the level of reporting monitored by management. The recoverable value of the goodwill recognized was estimated by calculating the value in use of the CGUs using discounted cash flow models, which involve estimating expected future cash flows and applying an appropriate discount rate, selected on the basis of market inputs such as risk-free rates, betas and market-risk premiums.

Cash flows were determined on the basis of the best information available at the time of the estimate and drawn:

Exchange rate diff.	Impairment losses	Other changes	at Dec. 31, 2016		
			Cost	Cumulative impairment	Net carrying amount
-	-	-	11,157	(2,393)	8,764
-	-	-	3,285	-	3,285
16	(5)	(16)	641	(137)	504
-	-	-	579	-	579
-	-	(187)	361	-	361
-	-	(50)	63	-	63
-	(26)	-	26	(26)	-
<b>16</b>	<b>(31)</b>	<b>(253)</b>	<b>16,112</b>	<b>(2,556)</b>	<b>13,556</b>

- > for the explicit period, from the 5-year Business Plan approved by the Board of Directors of the Parent Company containing forecasts for volumes, revenue, operating costs, capital expenditure, industrial and commercial organization, and developments in the main macroeconomic variables (inflation, nominal interest rates and exchange rates) and commodity prices. The explicit period of cash flows considered in impairment testing differs in accordance with the specific features and business cycles of the various CGUs being tested. These differences are generally associated with the different average times needed to build and bring into service the plant and other works that characterize the investments of the specific businesses that make up the CGU (conventional thermal generation, nuclear power, renewables, distribution, etc.);
- > for subsequent years, from assumptions concerning long-term developments in the main variables that determine cash flows, the average residual useful life of assets or the duration of the concessions.

More specifically, the terminal value was calculated as a perpetuity or annuity with a nominal growth rate equal to the long-term rate of growth in electricity and/or inflation (depending on the country and business involved) and in any case no higher than the average long-term growth rate of the reference market. The value in use calculated as described above was found to be greater than the amount recognized on the balance sheet, with the exceptions discussed below. In order to verify the robustness of the value in use of the CGUs, sensitivity analyses were conducted for the main drivers of the values, in particular WACC, the long-term growth rate and margins, the outcomes of which fully supported that value.

The table below reports the results of the sensitivity analysis for the CGUs with goodwill and without goodwill recognized, at the close of the period, along with the discount rates

applied and the time horizon over which the expected cash flows have been discounted.

Millions of euro	Amount	Growth rate <sup>(1)</sup>	Pre-tax WACC discount rate <sup>(2)</sup>	Explicit period of cash flows	Terminal value <sup>(3)</sup>
<b>at Dec. 31, 2016</b>					
CGUs with goodwill					
Endesa - Iberian Peninsula	8,607	1.40%	7.78%	5 years	Perpetuity
Endesa - Latin America <sup>(4)</sup>	3,285	2.71%	8.83%	5 years	Perpetuity
Enel Romania <sup>(5)</sup>	424	2.00%	7.24%	5 years	Perpetuity
Enel Energia	579	0.23%	12.16%	5 years	15 years
Enel Green Power España	157	1.60%	7.99%	5 years	13 years
Enel Green Power Latin America	360	3.27%	8.72%	5 years	21 years
Enel Green Power North America	121	2.20%	6.03%	5 years	21 years
Nuove Energie	-	-	10.06%	29 years	-
Enel Green Power Italia	23	1.50%	8.49%	5 years	Perpetuity/16 years <sup>(6)</sup>
Enel Green Power Bulgaria	-	-	7.51%	5 years	13 years
CGUs without goodwill but tested for impairment in the presence of the indicators provided for in IAS 36					
Enel Russia	-	2.93%	14.86%	5 years	Perpetuity
Enel Produzione	-	0.65%	9.65%	5 years	Perpetuity
Enel Green Power Romania	-	2.00%	7.26%	5 years	15 years
Enel Green Power Hellas	-	-	13.83%	5 years	16 years

(1) Perpetual growth rate for cash flows after the explicit forecast period.

(2) Pre-tax WACC calculated using the iterative method: the discount rate that ensures that the value in use calculated with pre-tax cash flows is equal to that calculated with post-tax cash flows discounted with the post-tax WACC.

(3) The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield for the years indicated in the column.

(4) Goodwill includes the goodwill pertaining to Enel Green Power España.

(5) Includes all companies operating in Romania.

(6) The terminal value for Enel Green Power Italia was estimated on the basis of a perpetuity for the hydroelectric and geothermal plants and an expected annuity with a rising yield for a period of 16 years for other renewables technologies (wind, solar, biomass). It was 17 years at December 31, 2016.

At December 31, 2016, impairment testing for the CGUs that had goodwill pointed to an impairment loss of €26 million on the Nuove Energie CGU and a €5 million impairment loss on the Enel Green Power Bulgaria CGU.

At December 31, 2015, impairment testing of the CGUs to which goodwill had been allocated found an impairment loss of €155 million on the Enel Green Power Romania CGU, of which €13 million attributed to goodwill, while the remainder was allocated among the generation assets.



Amount	Growth rate <sup>(1)</sup>	Pre-tax WACC discount rate <sup>(2)</sup>	Explicit period of cash flows	Terminal value <sup>(3)</sup>
at Dec. 31, 2015				
8,607	1.77%	7.90%	5 years	Perpetuity
3,285	3.12%	8.42%	5 years	Perpetuity
660	2.30%	7.65%	5 years	Perpetuity
579	0.16%	11.92%	5 years	15 years
157	2.00%	7.63%	5 years	12 years
350	3.34%	8.16%	5 years	21 years
131	2.20%	9.27%	5 years	19 years
26	0.20%	9.94%	9 years	16 years
23	2.00%	8.50%	5 years	Perpetuity/17 years <sup>(6)</sup>
5	2.20%	8.09%	5 years	14 years
-	4.00%	15.31%	5 years	Perpetuity
-	0.82%	9.06%	5 years	Perpetuity
-	2.30%	8.08%	5 years	16 years
-	-	13.61%	5 years	21 years

## 21. Deferred tax assets and liabilities - €6,665 million and €8,768 million

The following table details changes in deferred tax assets and liabilities by type of timing difference and calculated based on the tax rates established by applicable regulations.

The table also reports the amount of deferred tax assets that, where allowed, can be offset against deferred tax liabilities.

Millions of euro		Increase/(Decrease) taken to income statement	Increase/(Decrease) taken to equity
at Dec. 31, 2015			
<b>Deferred tax assets:</b>			
- differences in the value of property, plant and equipment and intangible assets	1,998	(294)	-
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	1,456	(57)	14
- tax loss carried forward	145	17	-
- measurement of financial instruments	824	(25)	(80)
- employee benefits	620	(61)	63
- other items	2,343	(212)	(34)
<b>Total</b>	<b>7,386</b>	<b>(632)</b>	<b>(37)</b>
<b>Deferred tax liabilities:</b>			
- differences on non-current and financial assets	6,606	(300)	(2)
- measurement of financial instruments	433	(15)	(29)
- other items	1,938	(15)	(29)
<b>Total</b>	<b>8,977</b>	<b>(330)</b>	<b>(60)</b>
<b>Non-offsettable deferred tax assets</b>			
<b>Non-offsettable deferred tax liabilities</b>			
<b>Excess net deferred tax liabilities after any offsetting</b>			

At December 31, 2016, "deferred tax assets," recognized when there is a reasonable certainty of their recoverability, totaled €6,665 million (€7,386 million at December 31, 2015). The change during the year amounted to €721 million, mainly reflecting the tax effect of income components not recognized for tax purposes, particularly related to derivative instruments and provisions for risks.

It should also be noted that no deferred tax assets were recorded in relation to prior tax losses in the amount of €1,185 million because, on the basis of current estimates of future taxable income, it is not certain that such assets will be recovered.

"Deferred tax liabilities" amounted to €8,768 million at December 31, 2016 (€8,977 million at December 31, 2015).

They essentially include the determination of the tax effects of the value adjustments to assets acquired as part of the final allocation of the cost of acquisitions made in the various years and the deferred taxation in respect of the differences between depreciation charged for tax purposes, including accelerated depreciation, and depreciation based on the estimated useful lives of assets.

The change for the year, in the amount of €209 million, includes the adjustment (of €60 million) to deferred taxes recognized following the change to the income tax rate in Peru from a descending rate (27% for 2017 and 2018 and 26% thereafter) to a fixed rate of 29.5%.

Change in the scope of consolidation	Other changes	Exchange rate differences	Reclassifications of assets held for sale	
<b>at Dec. 31, 2016</b>				
(18)	106	11	(7)	1,796
7	60	41	-	1,521
(2)	(82)	4	(1)	81
-	(2)	2	3	722
1	-	14	-	637
-	(207)	17	1	1,908
<b>(12)</b>	<b>(125)</b>	<b>89</b>	<b>(4)</b>	<b>6,665</b>
(25)	(147)	310	9	6,451
-	(5)	1	-	385
1	19	18	-	1,932
<b>(24)</b>	<b>(133)</b>	<b>329</b>	<b>9</b>	<b>8,768</b>
				<b>3,426</b>
				<b>3,741</b>
				<b>1,788</b>

## 22. Equity investments accounted for using the equity method - €1,558 million

Investments in joint arrangements and associated companies accounted for using the equity method are as follows.

Millions of euro		% held	Income effect	Change in scope of consol.
at Dec. 31, 2015				
<b>Joint arrangements</b>				
EGPNA Renewable Energy Partners	-	-	4	401
OpEn Fiber	-	-	-	355
Slovak Power Holding	-	-	(219)	375
Enel F2i Solare Italia (formerly Ultor)	110	50.0%	2	52
Tejo Energia Produção e Distribuição de Energia Eléctrica	63	38.9%	10	-
RusEnergosbyt	32	49.5%	34	-
Energie Electrique de Tahaddart	30	32.0%	6	-
Drift Sand Wind Project LLC	-	-	-	20
Empresa de Energía de Cundinamarca	29	40.4%	1	(30)
Electrogas	16	42.5%	6	-
Transmisora Eléctrica de Quillota	10	50.0%	2	-
Centrales Hidroeléctricas de Aysén	8	51.0%	(2)	-
PowerCrop	4	50.0%	(2)	-
<b>Associates</b>				
Elica 2	50	30.0%	-	-
CESI	39	42.7%	4	-
Tecnatom	33	45.0%	1	-
GNL Quintero	22	20.0%	4	(6)
Suministradora Eléctrica de Cádiz	17	33.5%	3	-
Terrae	12	20.0%	-	(12)
Compañía Eólica Tierras Altas	14	35.6%	(1)	-
Other	118	-	(7)	-
<b>Total</b>	<b>607</b>	<b>-</b>	<b>(154)</b>	<b>1,155</b>

Changes in the scope of consolidation resulted in an increase of €1,155 million attributable essentially to the following:

- > the remaining 50% interest in Slovak Power Holding, the company which holds the 66% interest in Slovenské elektrárne and 50% of which was then sold at the end of July 2016;
- > the 50% interest in OpEn Fiber (formerly Enel OpEn Fiber) that remained after the sale of a 50% interest to F2i at the end of December 2016;
- > the 50% interest in Enel Green Power North America Renewable Energy Partners (EGPNA REP), the special-purpose vehicle that received (and will receive in the future) the plants operating in the United States for which a partnership agreement was reached with General Electric.

These effects were only partially offset by the change to line-by-line consolidation concerning the assets of Empresa de Energía de Cundinamarca following this company's merger into Codensa.

Income effects mainly concern the €219 million charge related to the impairment loss on the joint venture Slovak Power Holding.

With regard to the latter, given the agreement between Enel Produzione and EP Slovakia that establishes mutual rights and obligations for the sale (by Enel Produzione) and purchase (by EP Slovakia) of the remaining 50% interest held in Slovak Power Holding following certain future events related to completion of Mochovce units 3 and 4 of

Dividends	Other changes	% held	
at Dec. 31, 2016			
-	15	420	50.0%
-	-	355	50.0%
-	-	156	50.0%
-	-	164	50.0%
(9)	7	71	43.8%
-	5	71	49.5%
(5)	-	31	32.0%
-	(3)	17	35.0%
-	-	-	-
(5)	-	17	42.5%
-	-	12	50.0%
-	3	9	51.0%
-	-	2	50.0%
-	(5)	45	30.0%
(1)	-	42	42.7%
-	-	34	45.0%
(1)	(19)	-	-
(3)	-	17	33.5%
-	-	-	-
-	-	13	35.6%
(10)	(19)	82	-
(34)	(16)	1,558	-

the subsidiary Slovenské elektrárne ("SE"), any impairment loss is measured by determining the recoverable value of the investment by applying the pricing formula defined in the agreement for the sale of the 66% interest in SE, which is based on a variety of parameters, including the evolution of SE net financial position, developments in energy prices in the Slovak market, the level of operating efficiency of SE based on benchmarks established in the agreement, and the enterprise value of Mochovce units 3 and 4.

It should also be noted that application of the equity method to the investments in RusEnergSbyt and PowerCrop incorporates implicit goodwill of €27 million and €9 million, respectively.

The following table provides a summary of financial information for each joint arrangement and associate of the Group not classified as held for sale in accordance with IFRS 5.

Millions of euro	Non-current assets		Current assets		Total assets	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
<b>Joint arrangements</b>						
Centrales Hidroeléctricas de Aysén	22	20	1	1	23	21
OpEn Fiber	769	-	240	-	1,009	-
Enel F2i Solare Italia (formerly Ultor)	279	289	70	39	349	328
RusEnergSbyt	6	4	213	108	219	112
Tejo Energia Produção e Distribuição de Energia Eléctrica	277	326	134	140	411	466
Energie Electrique de Tahaddart	111	120	32	32	143	152
PowerCrop	40	41	41	16	81	57
<b>Associates</b>						
Tecnatom	77	77	58	69	135	146
Suministradora Eléctrica de Cádiz	74	76	18	16	92	92
Compañía Eólica Tierras Altas	35	40	2	4	37	44

Non-current liabilities		Current liabilities		Total liabilities		Equity	
at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
-	-	5	4	5	5	18	16
-	-	299	-	299	-	710	-
139	147	4	6	143	153	206	175
-	-	129	104	129	104	90	8
163	214	84	90	247	304	164	162
9	26	36	33	45	59	98	93
1	1	61	33	62	34	19	23
31	28	26	46	57	74	78	72
23	24	17	17	40	41	52	51
1	2	2	4	3	6	34	38

Millions of euro	Total revenue		Income before taxes		Net income from continuing operations	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
<b>Joint arrangements</b>						
Centrales Hidroeléctricas de Aysén	-	-	(6)	(7)	(6)	(7)
OpEn Fiber	15	-	(11)	-	(9)	-
Enel F2i Solare Italia (formerly Ultor)	26	10	5	2	5	2
RusEnergSbyt	1,991	2,019	86	94	69	76
Tejo Energia Produção e Distribuição de Energia Eléctrica	207	221	31	29	22	21
Energie Electrique de Tahaddart	56	55	28	26	19	18
PowerCrop	-	2	(4)	(2)	(4)	(2)
<b>Associates</b>						
Tecnatom	88	5	1	5	1	5
Suministradora Eléctrica de Cádiz	15	15	8	8	8	8
Compañía Eólica Tierras Altas	8	11	(2)	3	(1)	3

## 23. Derivatives

Millions of euro	Non-current		Current	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Derivative financial assets	1,609	2,343	3,945	5,073
Derivative financial liabilities	2,532	1,518	3,322	5,509

For more information on derivatives classified as non-current financial assets, please see note 44 for hedging derivatives and trading derivatives.



## 24. Other non-current financial assets - €3,892 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Equity investments in other companies measured at fair value	146	181	(35)	-19.3%
Equity investments in other companies	50	56	(6)	-10.7%
Receivables and securities included in net financial debt (see note 24.1)	2,621	2,335	286	12.2%
Service concession arrangements	1,022	631	391	62.0%
Non-current prepaid financial expense	53	71	(18)	-25.4%
<b>Total</b>	<b>3,892</b>	<b>3,274</b>	<b>618</b>	<b>18.9%</b>

“Other non-current financial assets” increased by €618 million in 2016 as compared with the previous year. In particular, the increase reflected an increase of receivables included in net financial debt, as discussed in note 24.1, and service concession arrangements in Brazil.

“Equity investments in other companies” include investments for which the market value is not readily measu-

able; therefore, in the absence of expected sales of these investments, they have been measured at purchase cost and adjusted for any impairment.

Equity investments in other companies measured at fair value and at cost break down as follows.

Millions of euro	% held		% held		
	at Dec. 31, 2016		at Dec. 31, 2015		Change
Bayan Resources	139	10.0%	175	10.0%	(36)
Echelon	1	7.1%	2	7.1%	(1)
Galsi	17	17.6%	17	17.6%	-
Other	39		43		(4)
<b>Total</b>	<b>196</b>		<b>237</b>		<b>(41)</b>

The change on the previous year essentially reflects the increase in the fair value of Bayan Resources, an Indonesian company listed on the local stock exchange that operates in the coal extraction industry, as based on market prices for its stock.

“Service concession arrangements” concern amounts paid to the licensing authorities for the construction and/or improvement of public-service infrastructures involved in concession arrangements, which have been recognized in accordance with IFRIC 12.

## 24.1 Other non-current financial assets included in net financial debt

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Securities held to maturity	-	117	(117)	-
Financial investments in funds or portfolio management products at fair value through profit or loss	-	45	(45)	-
Securities available for sale	440	-	440	-
Financial receivables in respect of Spanish electrical system deficit	15	2	13	-
Other financial receivables	2,166	2,171	(5)	-0.2%
<b>Total</b>	<b>2,621</b>	<b>2,335</b>	<b>286</b>	<b>12.2%</b>

Securities held to maturity and available for sale, as well as financial investments in funds or portfolio management products, represent the financial instruments in which the Dutch insurance companies invest a portion of their liquidity. During the year, following a new assessment of an investment strategy for those companies involving more active management of the portfolio, the corresponding financial assets were reclassified from "held to maturity" to "available for sale" and measured using the measurement criteria provided for that category. In addition, in view of this choice the Group will apply the tainting rule under IAS 39, i.e. it will not classify financial assets as "held to maturity" for the next two financial years.

"Other financial receivables" decreased by €5 million in 2016 compared with the previous year. The change mainly reflects the following factors:

- > an increase of €168 million in the financial receivables from EGPNA REP Wind Holdings related to the financing for development of the new wind farms by the joint venture;
- > an increase of €5 million in relation to the receivable resulting from the sale of the 50% interest in Slovak Power Holding. This receivable has been measured at fair value, which was determined based on the pricing formula con-

tained in the agreements with EPH and which takes account of a number of parameters, including the evolution of Slovenské elektrárne net financial position, trends in energy prices on the Slovak market, the levels of operating efficiency of Slovenské elektrárne based on benchmarks established in the agreement, and the enterprise value of Mochovce units 3 and 4;

- > a decrease of €87 million in the receivable for CO<sub>2</sub> emissions allowances connected with "new entrant" plants;
- > the reclassification to short term of €46 million of the receivable in respect of the Energy & Environmental Services Fund (formerly the Electricity Equalization Fund), the balance of which was €340 million as at December 31, 2016 (compared with €386 million at December 31, 2015), concerning the reimbursement of costs incurred with the early replacement of electromechanical meters;
- > the reclassification to short term of €56 million of the receivable in respect of the reimbursement, provided for by the Authority for Electricity, Gas and the Water System in Italy with Resolution 157/2012, of costs incurred with the termination of the Electrical Worker Pension Fund in the total amount of €280 million at December 31, 2016 (€336 million at December 31, 2015).

## 25. Other non-current assets - €706 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Receivables from institutional market operators	106	67	39	58.2%
Other receivables	600	810	(210)	-25.9%
<b>Total</b>	<b>706</b>	<b>877</b>	<b>(171)</b>	<b>-19.5%</b>

At December 31, 2016, "other receivables" mainly regarded tax receivables in the amount of €301 million (€463 million at December 31, 2015), security deposits in the amount of €157 million (€16 million at the end of 2015), advances to suppliers in the amount of €1 million (€141 million at December 31, 2015), and non-monetary grants to be received in respect of green certificates totaling €51 million

(€78 million at December 31, 2015).

The decrease for the year was mainly due to the reimbursement, to Enel SpA, of the receivable (in the amount of €229 million, including both principal and interest) related to the years 2004-2010 from the Italian Revenue Agency for excess income taxes paid due to not deducting a portion of IRAP when calculating corporate income tax rate (IRES).

## 26. Inventories - €2,564 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
<b>Raw materials, consumables and supplies:</b>				
- fuel	1,119	1,212	(93)	-7.7%
- materials, equipment and other inventories	812	819	(7)	-0.9%
<b>Total</b>	<b>1,931</b>	<b>2,031</b>	<b>(100)</b>	<b>-4.9%</b>
<b>Environmental certificates:</b>				
- CO <sub>2</sub> emissions allowances	412	680	(268)	-39.4%
- green certificates	7	78	(71)	-91.0%
- white certificates	-	1	(1)	
<b>Total</b>	<b>419</b>	<b>759</b>	<b>(340)</b>	<b>-44.8%</b>
Buildings available for sale	65	68	(3)	-4.4%
Payments on account	149	46	103	-
<b>TOTAL</b>	<b>2,564</b>	<b>2,904</b>	<b>(340)</b>	<b>-11.7%</b>

Raw materials, consumables and supplies, in the amount of €1,931 million at December 31, 2016 (€2,031 million in 2015), consist of fuel inventories to cover the requirements of the generation companies and trading activities, as well as materials and equipment for the operation, maintenance and construction of plants and distribution networks.

The decrease for the year (€340 million) is mainly attributable to the decline in stocks of gas and other fuels, following a decline in average prices, and in stocks of green certificates. The buildings available for sale are related to remaining units from the Group's real estate portfolio and are primarily civil buildings.

## 27. Trade receivables - €13,506 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
<b>Customers:</b>				
- sale and transport of electricity	10,488	9,603	885	9.2 %
- distribution and sale of natural gas	1,645	1,755	(110)	-6.3 %
- other activities	1,258	1,396	(138)	-9.9 %
<b>Total customer receivables</b>	<b>13,391</b>	<b>12,754</b>	<b>637</b>	<b>5.0 %</b>
Trade receivables due from associates and joint arrangements	115	43	72	-
<b>Total</b>	<b>13,506</b>	<b>12,797</b>	<b>709</b>	<b>5.5 %</b>

Trade receivables from customers are recognized net of allowances for doubtful accounts, which totaled €2,027 million at the end of the year, as compared with an opening

balance of €2,085 million. More specifically, the increase for the period mainly reflects an increase in revenue from the sale and transport of electricity following the change in

payment terms applied to invoices for the electricity transport service, which went into effect on January 1, 2016, in accordance with Resolution 268/2015 of the Authority for Electricity, Gas and the Water System (the Grid Code).

The decrease in other activities reflects an increase in collections in 2016 in respect of fuel sales.

For more details on trade receivables, see note 41 "Financial instruments".

## 28. Other current financial assets - €3,053 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Other current financial assets included in net debt	2,924	2,241	683	30.5%
Other	129	140	(11)	-7.9%
<b>Total</b>	<b>3,053</b>	<b>2,381</b>	<b>672</b>	<b>28.2%</b>

### 28.1 Other current financial assets included in net financial debt - €2,924 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Short-term portion of long-term financial receivables	767	769	(2)	-0.3%
Receivables for factoring	128	147	(19)	-12.9%
Securities measured at FVTPL	1	-	1	-
Securities held to maturity	-	1	(1)	-
Securities available for sale	35	-	35	-
Financial receivables and cash collateral	1,082	1,020	62	6.1%
Other	911	304	607	-
<b>Total</b>	<b>2,924</b>	<b>2,241</b>	<b>683</b>	<b>30.5%</b>

"Other current financial assets included in net financial debt" totaled €2,924 million (€2,241 million at December 31, 2015). The change in this aggregate was mainly due to an increase in the financial receivables recognized by Enel Green Power North America on the transfer of the tax benefits

received in the United States for the production of renewable energy (specifically concerning the wind-farm projects Lindahl, in the amount of €174 million, and Cimarron Bend II, in the amount of €258 million).

## 29. Other current assets - €3,044 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Receivables from institutional market operators	1,025	765	260	34.0%
Advances to suppliers	188	219	(31)	-14.2%
Receivables due from employees	37	26	11	42.3%
Receivables due from others	913	960	(47)	-4.9%
Sundry tax receivables	664		(42)	-5.9%
Accrued operating income and prepaid expenses	146	706	(28)	-16.1%
Revenue for construction contracts	71	48	23	47.9%
<b>Total</b>	<b>3,044</b>	<b>2,898</b>	<b>146</b>	<b>5.0%</b>

“Receivables from institutional market operators” include receivables in respect of the Italian system in the amount of €862 million (€664 million at December 31, 2015) and the Spanish system in the amount of €147 million (€101 million at December 31, 2015). The increase for the period was mainly due to the increase in receivables from GSE (Energy Services Operator) for green certificates (€80 million) and the verification of equalization of energy purchases recogni-

zed by the Italian company involved in the sale of electricity to customers on the regulated market.

Including the portion of receivables classified as long term in the amount of €106 million (€67 million in 2015), receivables due from institutional market operators at December 31, 2016 totaled €1,131 million (€832 million at December 31, 2015), with payables of €4,966 million (€5,122 million at December 31, 2015).

## 30. Cash and cash equivalents - €8,290 million

Cash and cash equivalents, detailed in the table below, are not restricted by any encumbrances, apart from €52 million

essentially in respect of deposits pledged to secure transactions carried out.

Millions of euro

	at Dec. 31, 2016
Bank and post office deposits	7,777
Cash and cash equivalents on hand	298
Other liquid investments	215
<b>Total</b>	<b>8,290</b>

## 31. Assets and disposal groups classified as held for sale - €11 million and €0 million

Changes in assets held for sale during 2016 can be broken down as follows.

Millions of euro

	Dec. 31, 2015	Reclassification between at current and non- current assets	Disposals and change in scope of consolidation	Impairment losses	Other changes	at Dec. 31, 2016
Property, plant and equipment	3,744	10	(3,920)	(74)	246	6
Intangible assets	7	15	(20)	-	(2)	-
Deferred tax assets	1,066	8	(1,085)	-	11	-
Investments accounted for using the equity method	209	-	(192)	-	(17)	-
Non-current financial assets	1,066	-	(1,107)	-	46	5
Other non-current assets	18	-	(18)	-	-	-
Cash and cash equivalents	150	8	(124)	-	(34)	-
Current financial assets	111	-	(150)	-	39	-
Inventories, trade receivables, and other current assets	483	12	(593)	-	98	-
<b>Total</b>	<b>6,854</b>	<b>53</b>	<b>(7,209)</b>	<b>(74)</b>	<b>387</b>	<b>11</b>

Assets held for sale totaled €11 million at December 31, 2016, and included minor assets, all of limited significance.

At December 31, 2015, they included the assets of Slovenské elektrárne (€6,549 million), Hydro Dolomiti Enel (€189 million), Compostilla RE (€111 million), and other minor companies which, in view of the decisions taken by management, met the requirements of IFRS 5 for classification as assets held for sale.

Liabilities held for sale were practically eliminated during 2016 following completion of the disposals described above, i.e. of Slovenské elektrárne (€5,335 million) and Compostilla RE (€29 million).

The changes in 2016 in these liabilities are detailed below.

Millions of euro

	at Dec. 31, 2015	Reclassification between current and non-current assets	Disposals and change in scope of consolidation	Other changes	at Dec. 31, 2016
Long-term borrowings	1,701	-	(1,198)	(503)	-
Post-employment and other employee benefits	68	1	(68)	(1)	-
Provisions for risks and charges, non-current portion	1,867	-	(1,919)	52	-
Deferred tax liabilities	639	-	(639)	-	-
Non-current financial liabilities	231	-	(231)	-	-
Other non-current liabilities	2	-	(2)	-	-
Short-term borrowings	339	16	(1,141)	786	-
Other current financial liabilities	111	-	(110)	(1)	-
Provisions for risks and charges, current portion	19	1	(26)	6	-
Trade payables and other current liabilities	387	12	(440)	41	-
<b>Total</b>	<b>5,364</b>	<b>30</b>	<b>(5,774)</b>	<b>380</b>	<b>-</b>

## 32. Shareholders' equity - €52,575 million

### 32.1 Equity attributable to shareholders of the Parent Company - €34,803 million

#### Share capital - €10,167 million

At December 31, 2016, the share capital of Enel SpA – considering that as at December 31, 2015 there were no approved stock option plans (and thus no options exercised) – amounted to €10,166,679,946 fully subscribed and paid up, represented by 10,166,679,946 ordinary shares with a par value of €1.00 each.

This represents an increase of €763,322,151 compared with the previous amount of €9,403,357,795 at December 31, 2015, as a result of the partial, non-proportional demerger of the subsidiary Enel Green Power to Enel SpA effective as of March 31, 2016.

At December 31, 2016, based on the shareholders register and the notices submitted to CONSOB and received by the Company pursuant to Article 120 of Legislative Decree 58 of February 24, 1998, as well as other available information, the only shareholders with interests of greater than 3% in the Company's share capital were the Ministry for the Economy and Finance (with a 23.585% stake) and BlackRock Inc. (with a 5.049% stake held at November 30, 2016 through subsidiaries for asset management purposes).

#### Other reserves - €5,152 million

##### Share premium reserve - €7,489 million

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve contains, in the case of the issue of shares at a price above par, the difference between the issue price of the shares and their par value, including those resulting from conversion from bonds. The reserve, which is a capital reserve, may not be distributed until the legal reserve has reached the threshold established under Article 2430 of the Italian Civil Code. The change of €2,197 million in the period reflected the capital increase noted above and includes transaction costs net of the associated tax effect of €15 million.

##### Legal reserve - €2,034 million

The legal reserve is formed of the part of net income that, pursuant to Article 2430 of the Italian Civil Code, cannot be distributed as dividends.

##### Other reserves - €2,262 million

These include €2,215 million related to the remaining portion of the value adjustments carried out when Enel was trans-

sformed from a public entity to a joint-stock company.

Pursuant to Article 47 of the Uniform Income Tax Code, this amount does not constitute taxable income when distributed.

##### Reserve from translation of financial statements in currencies other than euro - €(1,005) million

The increase for the year, equal to €951 million, is due to the net depreciation of the functional currency against the foreign currencies used by subsidiaries, as well to the change in the scope of consolidation, with a negative effect of €17 million, following the disposal of 50% of Slovak Power Holding, which in turn holds 66% of Slovenské elektrárne, and the acquisition of 31.71% of Enel Green Power SpA in the partial non-proportional demerger, which gave rise to a change in the Group's interests in companies using currencies other than the euro.

##### Reserve from measurement of cash flow hedge financial instruments - €(1,448) million

This includes the net charges recognized in equity from the measurement of cash flow hedge derivatives. The cumulative tax effect is equal to €355 million.

##### Reserve from measurement of financial instruments available for sale - €106 million

This includes net unrealized income from the measurement at fair value of financial assets.

##### Reserve from equity investments accounted for using the equity method - €(12) million

The reserve reports the share of comprehensive income to be recognized directly in equity of companies accounted for using the equity method. The cumulative tax effect is equal to €19 million.

##### Reserve from remeasurement of net defined benefit plan liabilities/(assets) - €(706) million

The reserve includes all actuarial gains and losses, net of tax effects. The change is attributable to the decrease in net actuarial losses recognized during the period, mainly reflecting changes in the discount rate. The cumulative tax effect is equal to €112 million.

This item mainly reports:

- The change for the period, a negative €283 million, represents the net balance between the effects of the merger into Enel Américas of Endesa Américas and Chilectra Américas and the disposal to third parties of a minority interest without loss of control in Enel Green Power North America Renewable Energy Partners.

The reserve reports the amount by which the purchase price in purchases from third parties of additional stakes in companies already controlled in Latin America (generated in previous years by the purchase of additional stakes in Ampla Energia e Serviços, Ampla Investimentos e Serviços, Eléctrica Cabo Blanco, Coelce, Generandes Perú, Enersis and Endesa Latinoamérica) exceeds the value of the equity acquired. The change for the period regards the difference between the share of equity acquired from non-controlling shareholders of Enel Green Power SpA and the purchase price.

The reserve reports earnings from previous years that have not been distributed or allocated to other reserves.

The table below shows the changes in gains and losses recognized directly in other comprehensive income, including non-controlling interests, with specific reporting of the related tax effects.

	at Dec. 31, 2015			Change			at Dec. 31, 2016					
		<i>Of which</i>	<i>Of which</i>	Gains/ (Losses)	Released			<i>Of which</i>	<i>Of which</i>		<i>Of which</i>	<i>Of which</i>
	<b>Total</b>	<i>shareholders</i>	<i>non-</i>	recognized	to income	Taxes	<b>Total</b>	<i>shareholders</i>	<i>non-</i>		<i>shareholders</i>	<i>non-</i>
		<i>of the Parent</i>	<i>controlling</i>	in equity for	statement			<i>of the Parent</i>	<i>controlling</i>		<i>of the Parent</i>	<i>controlling</i>
		<i>Company</i>	<i>interests</i>	the year				<i>Company</i>	<i>interests</i>		<i>Company</i>	<i>interests</i>
Reserve from translation of financial statements in currencies other than euro	(4,855)	(1,956)	(2,899)	1,952	-	-	1,952	968	984	(2,903)	(988)	(1,915)
Reserve from measurement of cash flow hedge financial instruments	(1,697)	(1,341)	(356)	(1,243)	1,275	(66)	(34)	(97)	63	(1,731)	(1,438)	(293)
Reserve from measurement of financial instruments available for sale	129	130	(1)	(14)	(6)	(4)	(24)	(24)	-	105	106	(1)
Share of OCI of associates accounted for using the equity method	(44)	(54)	10	(28)	10	-	(18)	(7)	(11)	(62)	(61)	(1)
Remeasurements of net employee benefit liabilities/ (assets)	(688)	(551)	(137)	(296)	-	57	(239)	(173)	(66)	(927)	(724)	(203)
<b>Total gains/ (losses) recognized in equity</b>	<b>(7,155)</b>	<b>(3,772)</b>	<b>(3,383)</b>	<b>371</b>	<b>1,279</b>	<b>(13)</b>	<b>1,637</b>	<b>667</b>	<b>970</b>	<b>(5,518)</b>	<b>(3,105)</b>	<b>(2,413)</b>



## 32.2 Dividends

	Amount distributed (millions of euro)	Dividend per share (euro)
<b>Net dividends paid in 2015</b>		
Dividends for 2014	1,316	0.14
Interim dividends for 2015	-	-
Special dividends	-	-
<b>Total dividends paid in 2015</b>	<b>1,316</b>	<b>0.14</b>
<b>Net dividends paid in 2016</b>		
Dividends for 2015	1,627	0.16
Interim dividends for 2016	-	-
Special dividends	-	-
<b>Total dividends paid in 2016</b>	<b>1,627</b>	<b>0.16</b>

In accordance with the decision of November 10, 2016, of the Board of Directors, as from 2016, Enel has adopted a policy providing for the payment of interim dividends, with the intention of optimizing shareholder remuneration: at that meeting, the Board approved the distribution of an interim

dividend of €0.09 per share, for a total of €915 million. That interim dividend, gross of any withholding tax, was paid as of January 25, 2017, with an ex-dividend date for coupon no. 25 of January 23, 2017 and a record date of January 24, 2017.

### Capital management

The Group's objectives for managing capital comprise safeguarding the business as a going concern, creating value for stakeholders and supporting the development of the Group. In particular, the Group seeks to maintain an adequate capitalization that enables it to achieve a satisfactory return for shareholders and ensure access to external sources of financing, in part by maintaining an adequate rating.

In this context, the Group manages its capital structure and adjusts that structure when changes in economic conditions so require. There were no substantive changes in objectives, policies or processes in 2016.

To this end, the Group constantly monitors developments in the level of its debt in relation to equity. The situation at December 31, 2016 and 2015 is summarized in the following table.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Non-current financial position	41,336	44,872	(3,536)
Net current financial position	(1,162)	(4,992)	3,830
Non-current financial receivables and long-term securities	(2,621)	(2,335)	(286)
<b>Net financial debt ("debt")</b>	<b>37,553</b>	<b>37,545</b>	<b>8</b>
Equity attributable to shareholders of the Parent Company	34,803	32,376	2,427
Non-controlling interests	17,772	19,375	(1,603)
<b>Shareholders' equity ("equity")</b>	<b>52,575</b>	<b>51,751</b>	<b>824</b>
<b>Debt/equity ratio</b>	<b>0.71</b>	<b>0.73</b>	<b>-</b>

## 32.3 Non-controlling interests - €17,772 million

The following table reports the composition of non-controlling interests by Division.

Millions of euro	Non-controlling interests		Net income attributable to non-controlling interests	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Endesa Group	6,958	6,742	352	280
Enel Latinoamérica Group	9,233	8,052	659	1,032
Enel Investment Holding Group	1,011	803	73	(275)
Slovenské elektrárne Group	-	386	(2)	(3)
Enel Green Power Group	570	3,392	135	142
<b>Total</b>	<b>17,772</b>	<b>19,375</b>	<b>1,217</b>	<b>1,176</b>

The decrease in non-controlling interests reflects the non-proportional demerger of Enel Green Power SpA, with which the Group increased its interest in the company from 68.29% to 100%, and the disposal of 50% of Slovak Power

Holding, which in turn holds 66% of Slovenské elektrárne, leading to the loss of control and measurement of the company using the equity method.

## 33. Borrowings

Millions of euro	Non-current		Current	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Long-term borrowings	41,336	44,872	4,384	5,733
Short-term borrowings	-	-	5,372	2,155
<b>Total</b>	<b>41,336</b>	<b>44,872</b>	<b>9,756</b>	<b>7,888</b>

For more details on the nature of borrowings, please see note 41 "Financial instruments".

## 34. Employee benefits - €2,585 million

The Group provides its employees with a variety of benefits, including deferred compensation benefits, additional months' pay for having reached age limits or eligibility for old-age pension, loyalty bonuses for achievement of seniority milestones, supplemental retirement and healthcare plans, residential electricity discounts and similar benefits. More specifically:

> for Italy, the item "pension benefits" regards estimated accruals made to cover benefits due under the supplemental retirement schemes of retired executives and the benefits due to personnel under law or contract at the time the employment relationship is terminated. For the foreign companies, the item reports post-employment benefits, of which the most material regard the pension benefit schemes of Endesa in Spain, which break down into three types that differ on the basis of employee seniority and company. In general, under the framework agreement of October 25, 2000, employees participate in a specific defined contribution pension plan and, in cases of disability or death of employees in service, a defined benefit plan which is covered by appropriate insurance policies. In addition, Endesa has two other limited-enrollment plans (i) for current and retired Endesa employees covered by the electricity industry collective

bargaining agreement prior to the changes introduced with the framework agreement noted earlier and (ii) for employees of the former Catalan companies (Fecsa/Enher/HidroEmpordà). Both are defined benefit plans and benefits are fully ensured, with the exception of the former plan for benefits in the event of the death of a retired employee. Finally, the Brazilian companies have also established defined benefit plans;

- > the item "electricity discount" comprises benefits regarding electricity supply associated with foreign companies. For Italy, that benefit, which was granted until the end of 2015 to retired employees only, was unilaterally cancelled;
- > the item "health insurance" reports benefits for current or retired employees covering medical expenses;
- > the item "other benefits" mainly regards the loyalty bonus, which is adopted in various countries and for Italy is represented by the estimated liability for the benefit entitling employees covered by the electricity workers national collective bargaining agreement to a bonus for achievement of seniority milestones (25th and 35th year of service). It also includes other incentive plans, which provide for the award to certain company managers of a monetary bonus subject to specified conditions.

The following table reports changes in the defined benefit obligation for post-employment and other long-term employee benefits at December 31, 2016 and December 31,

2015, respectively, as well as a reconciliation of that obligation with the actuarial liability.

Millions of euro

	2016				
	Pension benefits	Electricity discount	Health insurance	Other benefits	Total
<b>CHANGES IN ACTUARIAL OBLIGATION</b>					
<b>Actuarial obligation at the start of the year</b>	<b>2,126</b>	<b>724</b>	<b>202</b>	<b>285</b>	<b>3,337</b>
Current service cost	14	4	5	50	<b>73</b>
Interest expense	108	19	11	7	<b>145</b>
Actuarial (gains)/losses arising from changes in demographic assumptions	2	-	(2)	1	<b>1</b>
Actuarial (gains)/losses arising from changes in financial assumptions	221	96	20	10	<b>347</b>
Experience adjustments	9	22	(4)	(14)	<b>13</b>
Past service cost	1	-	1	1	<b>3</b>
(Gains)/Losses arising from settlements	2	-	-	-	<b>2</b>
Exchange differences	126	1	14	6	<b>147</b>
Employer contributions	-	-	-	-	<b>-</b>
Employee contributions	1	-	-	-	<b>1</b>
Benefits paid	(194)	(28)	(14)	(62)	<b>(298)</b>
Other changes	24	3	4	1	<b>32</b>
Liabilities classified as held for sale	-	-	-	-	<b>-</b>
<b>Actuarial obligation at year end (A)</b>	<b>2,440</b>	<b>841</b>	<b>237</b>	<b>284</b>	<b>3,802</b>
<b>CHANGES IN PLAN ASSETS</b>					
<b>Fair value of plan assets at the start of the year</b>	<b>1,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,110</b>
Interest income	75	-	-	-	<b>75</b>
Expected return on plan assets excluding amounts included in interest income	40	-	-	-	<b>40</b>
Exchange differences	104	-	-	-	<b>104</b>
Employer contributions	136	28	14	22	<b>200</b>
Employee contributions	1	-	-	-	<b>1</b>
Benefits paid	(194)	(28)	(14)	(22)	<b>(258)</b>
Other payments	-	-	-	-	<b>-</b>
Change in the scope of consolidation	-	-	-	-	<b>-</b>
<b>Fair value of plan assets at year end (B)</b>	<b>1,272</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,272</b>
<b>EFFECT OF ASSET CEILING</b>					
<b>Asset ceiling at the start of the year</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57</b>
Interest income	5	-	-	-	<b>5</b>
Changes in asset ceiling	(20)	-	-	-	<b>(20)</b>
Exchange differences	13	-	-	-	<b>13</b>
Change in the scope of consolidation	-	-	-	-	<b>-</b>
<b>Asset ceiling at year end (C)</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55</b>
<b>Net liability in balance sheet (A-B+C)</b>	<b>1,223</b>	<b>841</b>	<b>237</b>	<b>284</b>	<b>2,585</b>

2015

Pension benefits	Electricity discount	Health insurance	Other benefits	Total
<b>2,458</b>	<b>1,927</b>	<b>223</b>	<b>263</b>	<b>4,871</b>
24	6	5	54	<b>89</b>
106	41	10	8	<b>165</b>
1	-	-	-	<b>1</b>
(124)	(66)	(8)	4	<b>(194)</b>
10	(196)	2	4	<b>(180)</b>
(43)	-	-	(5)	<b>(48)</b>
1	(902)	-	-	<b>(901)</b>
(157)	(1)	(17)	(6)	<b>(181)</b>
-	-	-	-	<b>-</b>
1	-	-	-	<b>1</b>
(154)	(88)	(13)	(39)	<b>(294)</b>
4	3	-	2	<b>9</b>
(1)	-	-	-	<b>(1)</b>
<b>2,126</b>	<b>724</b>	<b>202</b>	<b>285</b>	<b>3,337</b>
<b>1,252</b>	-	-	-	<b>1,252</b>
68	-	-	-	<b>68</b>
(30)	-	-	-	<b>(30)</b>
(125)	-	-	-	<b>(125)</b>
98	88	13	24	<b>223</b>
1	-	-	-	<b>1</b>
(154)	(88)	(13)	(24)	<b>(279)</b>
-	-	-	-	<b>-</b>
-	-	-	-	<b>-</b>
<b>1,110</b>	-	-	-	<b>1,110</b>
<b>68</b>	-	-	-	<b>68</b>
5	-	-	-	<b>5</b>
2	-	-	-	<b>2</b>
(18)	-	-	-	<b>(18)</b>
-	-	-	-	<b>-</b>
<b>57</b>	-	-	-	<b>57</b>
<b>1,073</b>	<b>724</b>	<b>202</b>	<b>285</b>	<b>2,284</b>

Millions of euro

	2016	2015
<b>(Gains)/Losses charged to profit or loss</b>		
Service cost and past service cost	34	(5)
Net interest expense	78	102
(Gains)/Losses arising from settlements	2	(901)
Actuarial (gains)/losses on other long-term benefits	42	46
Other changes	(4)	1
<b>Total</b>	<b>152</b>	<b>(757)</b>

Millions of euro

	2016	2015
<b>Change in (gains)/losses in OCI</b>		
Return on plan assets excluding amounts included in interest income	(40)	30
Actuarial (gains)/losses on defined benefit plans	365	(374)
Changes in asset ceiling excluding amounts included in interest income	(20)	2
Other changes	(9)	(2)
<b>Total</b>	<b>296</b>	<b>(344)</b>

The change in cost recognized through profit or loss, equal to €909 million, is mainly attributable to the cancellation in 2015, for the Italian companies only, of the electricity discount benefit for former Group employees, which involved the reversal of the associated liability.

In addition, the supplemental provisions of the union agreements implementing the new plan under Article 4 of the

Fornero Act established in December 2015 prompted an adjustment of the liability in respect of other employee benefit plans.

The liability recognized in the balance sheet at the end of the year is reported net of the fair value of plan assets, amounting to €1,272 million at December 31, 2016. Those assets, which are entirely in Spain and Brazil, break down as follows.

	2016	2015
<b>Investments quoted in active markets</b>		
Equity instruments	2%	4%
Fixed-income securities	35%	25%
Investment property	5%	4%
Other	1%	1%
<b>Unquoted investments</b>		
Assets held by insurance undertakings	-	-
Other	57%	67%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The main actuarial assumptions used to calculate the liabilities in respect of employee benefits and the plan assets,

which are consistent with those used the previous year, are set out in the following table.

	Italy	Iberia	Latin America	Other	Italy	Iberia	Latin America	Other
	2016				2015			
Discount rate	0.30%- 1.40%	0.64%- 1.75%	4.70%- 12.31%	1.40%- 8.36%	0.50%- 2.15%	1.17%- 2.56%	4.95%- 14.21%	2.03%- 9.72%
Inflation rate	1.40%	2.00%	3.00%- 6.00%	1.40%- 4.84%	1.60%	2.00%	3.00%- 6.50%	1.50%- 5.50%
Rate of wage increases	1.40%- 3.40%	2.00%	3.00%- 9.19%	2.90%- 4.84%	1.60%- 3.60%	2.00%	3.00%- 9.69%	2.00%- 5.50%
Rate of increase in healthcare costs	2.40%	3.20%	3.50%- 9.19%	-	2.60%	3.20%	4.20%- 9.69%	-
Expected rate of return on plan assets	-	1.74%	12.20%- 12.31%	-	-	2.54%	14.18%- 14.21%	-

The following table reports the outcome of a sensitivity analysis that demonstrates the effects on the defined benefit obligation of changes reasonably possible at the end

of the year in the actuarial assumptions used in estimating the obligation.

Millions of euro	Pension benefits	Electricity discount	Health insurance	Other benefits	Pension benefits	Electricity discount	Health insurance	Other benefits
	at Dec. 31, 2016				at Dec. 31, 2015			
Decrease of 0.5% in discount rate	159	75	12	4	131	60	12	4
Increase of 0.5% in discount rate	(136)	(69)	(15)	(10)	(116)	(54)	(12)	(10)
Increase of 0.5% in inflation rate	30	74	2	2	33	59	8	4
Decrease of 0.5% in inflation rate	(20)	(67)	(18)	(10)	(26)	(38)	(9)	(7)
Increase of 0.5% in remuneration	8	-	-	1	8	-	-	2
Increase of 0.5% in pensions currently being paid	12	-	-	(3)	11	-	-	(3)
Increase of 1% in healthcare costs	-	-	20	-	-	-	20	-
Increase of 1 year in life expectancy of active and retired employees	50	12	5	(3)	47	24	3	(2)

The sensitivity analysis used an approach that extrapolates the effect on the defined benefit obligation of reasonable changes in an individual actuarial assumption, leaving the other assumptions unchanged.

The contributions expected to be paid into defined benefit plans in the subsequent year amount to €26 million.

The following table reports expected benefit payments in the coming years for defined benefit plans.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015
Within 1 year	204	201
In 1-2 years	186	211
In 2-5 years	589	601
More than 5 years	1,058	944

## 35. Provisions for risks and charges - €6,414 million

Millions of euro

	at Dec. 31, 2016		at Dec. 31, 2015	
	Non-current	Current	Non-current	Current
<b>Provision for litigation, risks and other charges:</b>				
- nuclear decommissioning	567	-	528	-
- retirement, removal and site restoration	754	35	611	11
- litigation	698	36	762	47
- environmental certificates	-	7	-	19
- taxes and duties	290	56	290	20
- other	770	859	819	1,062
<b>Total</b>	<b>3,079</b>	<b>993</b>	<b>3,010</b>	<b>1,159</b>
Provision for early retirement incentives	1,902	440	2,182	471
<b>TOTAL</b>	<b>4,981</b>	<b>1,433</b>	<b>5,192</b>	<b>1,630</b>

Millions of euro	at Dec. 31, 2015		at Dec. 31, 2016		Unwinding of interest	Change in the scope of consolidation	Translation adjustment	Other	
	Accruals	Reversals	Utilization						
<b>Provision for litigation, risks and other charges:</b>									
- nuclear decommissioning	528	-	-	-	6	-	-	33	567
- retirement, removal and site restoration	622	183	(18)	(24)	8	(13)	11	20	789
- litigation	809	169	(222)	(110)	49	1	39	(1)	734
- environmental certificates	19	7	(7)	(12)	-	-	-	-	7
- taxes and duties	310	94	(28)	(32)	3	-	4	(5)	346
- other	1,881	389	(165)	(550)	98	9	15	(48)	1,629
<b>Total</b>	<b>4,169</b>	<b>842</b>	<b>(440)</b>	<b>(728)</b>	<b>164</b>	<b>(3)</b>	<b>69</b>	<b>(1)</b>	<b>4,072</b>
Provision for early retirement incentives	2,653	214	(13)	(464)	67	3	-	(117)	2,342
<b>TOTAL</b>	<b>6,822</b>	<b>1,056</b>	<b>(453)</b>	<b>(1,192)</b>	<b>231</b>	<b>-</b>	<b>69</b>	<b>(118)</b>	<b>6,414</b>



## Nuclear decommissioning provision

At December 31, 2016, the provision reflected solely the costs that will be incurred at the time of decommissioning of nuclear plants by Endesa in respect of Enresa, a Spanish public enterprise responsible for such activities in accordance with Royal Decree 1349/2003 and Law 24/2005. Quantification of the costs is based on the standard contract between Endesa and the electricity companies approved by the Ministry for the Economy in September 2001, which regulates the retirement and closing of nuclear power plants. The time horizon envisaged, three years, corresponds to the period from the termination of power generation to the transfer of plant management to Enresa (so-called post-operational costs) and takes into account, among the various assumptions used to estimate the amount, the quantity of unused nuclear fuel expected at the date of closure of each of the Spanish nuclear plants on the basis of the provisions of the concession agreement.

## Non-nuclear plant retirement and site restoration provision

The provision for non-nuclear plant retirement and site restoration represents the present value of the estimated cost for the retirement and removal of non-nuclear plants where there is a legal or constructive obligation to do so.

## Litigation provision

The “litigation” provision covers contingent liabilities in respect of pending litigation and other disputes. It includes an estimate of the potential liability relating to disputes that arose during the period, as well as revised estimates of the potential costs associated with disputes initiated in prior periods. The estimates are based on the opinions of internal and external legal counsel. The balance for litigation mainly regards disputes concerning service quality and disputes with employees, end users or suppliers of the companies in Spain (€235 million), Italy (€219 million) and Brazil (€199 million).

The reduction compared with the previous year, equal to €75 million, mainly reflects the reversal of the provision for the SAPE dispute (€80 million) following the favorable arbitration ruling.

## Provision for environmental certificates

The provision for environmental certificates covers costs in respect of shortfalls in the environmental certificates need for compliance with national or supranational environmental protection requirements.

## Other provisions

“Other” provisions cover various risks and charges, mainly in connection with regulatory disputes and disputes with local authorities regarding various duties and fees or other charges.

The change of €252 million for the year is mainly due to the use and reversal (for non-participants) of the provision (€328 million) recognized by the Italian companies in 2015 to cover the charge for the one-off indemnity granted to former employees following the Group’s unilateral revocation of the electricity discount benefit.

In addition, the balance for other provisions for risks and charges also includes the provision for current and potential disputes concerning local property tax – whether the *Imposta Comunale sugli Immobili* (“ICI”) or the new *Imposta Municipale Unica* (“IMU”) – in Italy. The Group has taken due account of the criteria introduced with circular no. 6/2012 of the Public Land Agency (which resolved interpretive issues concerning the valuation methods for movable assets considered relevant for property registry purposes, including certain assets typical to generation plants, such as turbines) in estimating the liability for such taxes, both for the purposes of quantifying the probable risk associated with pending litigation and generating a reasonable valuation of probable future charges on positions that have not yet been assessed by Land Agency offices and municipalities.

## Provision for early retirement incentives

The provision for early retirement incentives includes the estimated charges related to binding agreements for the voluntary termination of employment contracts in response to organizational needs. The change for the year reflects, among other factors, uses for incentive provisions established in Spain and Italy in previous years.

In Italy, the latter is largely associated with the union-company agreements signed in September 2013 and December 2015, implementing, for a number of companies

in Italy, the mechanism provided for under Article 4, paragraphs 1-7 *ter*, of Law 92/2012 (the Fornero Act). The latter agreement envisages the voluntary termination, in Italy, of about 6,100 employees in 2016-2020.

In Spain, the provisions regard the expansion, in 2015, of the *Acuerdo de Salida Voluntaria* (ASV) introduced in Spain in 2014. The ASV mechanism was agreed in Spain in connection with Endesa's restructuring and reorganization

plan, which provides for the suspension of the employment contract with tacit annual renewal. With regard to that plan, on December 30, 2014, the company had signed an agreement with union representatives in which it undertook to not exercise the option to request a return to work at subsequent annual renewal dates for the employees participating in the mechanism.

## 36. Other non-current liabilities - €1,856 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Accrued operating expenses and deferred income	973	966	7	0.7%
Other items	883	583	300	51.5%
<b>Total</b>	<b>1,856</b>	<b>1,549</b>	<b>307</b>	<b>19.8%</b>

At December 31, 2016 the item was essentially accounted for by revenue for electricity and gas connections and grants received in respect of specific assets. The increase in "other items" mainly regarded an increase in a number of regulatory liabilities in Argentina and Brazil, totaling €113 million,

and the reclassification from the early retirement incentive provision of amounts to be paid to employees who terminated their employment in implementation of the provisions of Article 4 of Law 92/2012 (€87 million net of payments made).

## 37. Trade payables - €12,688 million

The item amounted to €12,688 million (€11,775 million in 2015) and includes payables in respect of electricity supplies, fuel, materials, equipment associated with tenders and other services.

More specifically, trade payables falling due in less than 12 months amounted to €12,230 million (€11,261 million in 2015), while those falling due in more than 12 months amounted to €458 million (€514 million in 2015).

## 38. Other current financial liabilities - €1,264 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Deferred financial liabilities	842	957	(115)	-12.0%
Other items	422	106	316	-
<b>Total</b>	<b>1,264</b>	<b>1,063</b>	<b>201</b>	<b>18.9%</b>

The increase in other current financial liabilities reflects an increase in financial debt as a result of the change in the method used to finance the rate deficit in the Spanish electrical system following the amendment of the regulatory

framework of the electrical system begun in 2013 and completed in 2014.

"Deferred financial liabilities" regard accrued expense on bonds.

## 39. Net financial position and long-term financial receivables and securities - €37,553 million

The following table shows the net financial position and long-term financial receivables and securities on the basis of the items on the consolidated balance sheet.

Millions of euro

	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Long-term borrowings	41	41,336	44,872	(3,536)	-7.9%
Short-term borrowings	41	5,372	2,155	3,217	-
Other current financial payables <sup>(1)</sup>		296	-	296	-
Current portion of long-term borrowings	41	4,384	5,733	(1,349)	-23.5%
Non-current financial assets included in debt	24	(2,621)	(2,335)	(286)	12.2%
Current financial assets included in debt	28	(2,924)	(2,241)	(683)	30.5%
Cash and cash equivalents	30	(8,290)	(10,639)	2,349	22.1%
<b>Total</b>		<b>37,553</b>	<b>37,545</b>	<b>8</b>	<b>-</b>

(1) Includes current financial payables included in other current financial liabilities.

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at December 31, 2016, and December 31, 2015, reconciled with net

financial debt as provided for in the presentation methods of the Enel Group.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Cash and cash equivalents on hand	298	582	(284)	-48.8%
Bank and post office deposits	7,777	10,057	(2,280)	-22.7%
Other investments of liquidity	215	-	215	-
Securities	36	1	35	-
<b>Liquidity</b>	<b>8,326</b>	<b>10,640</b>	<b>(2,314)</b>	<b>-21.7%</b>
Short-term financial receivables	1,993	1,324	669	50.5%
Factoring receivables	128	147	(19)	-12.9%
Short-term portion of long-term financial receivables	767	769	(2)	-0.3%
<b>Current financial receivables</b>	<b>2,888</b>	<b>2,240</b>	<b>648</b>	<b>28.9%</b>
Short-term bank debt	(909)	(180)	(729)	-
Commercial paper	(3,059)	(213)	(2,846)	-
Short-term portion of long-term bank debt	(749)	(844)	95	-11.3%
Bonds issued (short-term portion)	(3,446)	(4,570)	1,124	24.6%
Other borrowings (short-term portion)	(189)	(319)	130	40.8%
Other current financial payables <sup>(1)</sup>	(1,700)	(1,762)	62	-3.5%
<b>Total short-term financial debt</b>	<b>(10,052)</b>	<b>(7,888)</b>	<b>(2,164)</b>	<b>-27.4%</b>
<b>Net short-term financial position</b>	<b>1,162</b>	<b>4,992</b>	<b>(3,830)</b>	<b>-76.7%</b>
Debt to banks and financing entities	(7,446)	(6,863)	(583)	-8.5%
Bonds	(32,401)	(35,987)	3,586	10.0%
Other borrowings	(1,489)	(2,022)	533	26.4%
<b>Long-term financial position</b>	<b>(41,336)</b>	<b>(44,872)</b>	<b>3,536</b>	<b>7.9%</b>
<b>NET FINANCIAL POSITION as per CONSOB instructions</b>	<b>(40,174)</b>	<b>(39,880)</b>	<b>(294)</b>	<b>-0.7%</b>
<b>Long-term financial receivables and securities</b>	<b>2,621</b>	<b>2,335</b>	<b>286</b>	<b>12.2%</b>
<b>NET FINANCIAL DEBT</b>	<b>(37,553)</b>	<b>(37,545)</b>	<b>(8)</b>	<b>-</b>

(1) Includes current financial payables included in other current financial liabilities.

## 40. Other current liabilities - €12,141 million

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change	
Payables due to customers	1,785	1,567	218	13.9%
Payables due to institutional market operators	4,617	4,879	(262)	-5.4%
Payables due to employees	436	459	(23)	-5.0%
Other tax payables	1,071	990	81	8.2%
Payables due to social security institutions	215	216	(1)	-0.5%
Contingent consideration	85	36	49	-
Payables for put options granted to minority shareholders	403	793	(390)	-49.2%
Current accrued expenses and deferred income	325	294	31	10.5%
Payables for acquisition of equity investments	-	-	-	-
Liabilities for construction contracts	358	347	11	3.2%
Other	2,846	1,641	1,205	73.4%
<b>Total</b>	<b>12,141</b>	<b>11,222</b>	<b>919</b>	<b>8.2%</b>

“Payables due to customers” include €1,038 million (€1,066 million at December 31, 2015) in security deposits related to amounts received from customers in Italy as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the Company does not have an unconditional right to defer repayment beyond 12 months.

“Payables due to institutional market operators” include payables arising from the application of equalization mechanisms to electricity purchases on the Italian market amounting to €3,069 million (€3,439 million at December 31, 2015), on the Spanish market amounting to €1,285 million (€1,392 million at December 31, 2015) and on the Latin American market amounting to €263 million (€48 million at December 31, 2015).

“Contingent consideration” regards a number of investees

held by the Group in North America whose fair value was determined on the basis of the terms and conditions of the contractual agreements between the parties.

The item “payables for put options granted to minority shareholders” at December 31, 2016 includes the liability in respect of Enel Distributie Muntenia and Enel Energie Muntenia in the total amount of €401 million (€778 million at December 31, 2015). The decline in the period mainly reflects the writedown of €48 million in the liability in respect of the put option on 13.6% as a result of the ruling in the international arbitration proceeding with SAPE, which was completed in February 2017, and €329 million in respect of the 10% reduction in the Group’s interest following the cessation of the right of former employees to exercise the tag-along right connected with the put option following further legal analysis supported by external legal counsel.

## 41. Financial instruments

This note provides disclosures necessary for users to assess the significance of financial instruments for the Company’s financial position and performance.

## 41.1 Financial assets by category

The following table reports the carrying amount for each category of financial asset provided for under IAS 39, broken down into current and non-current financial assets, showing

hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro		Non-current		Current	
	Notes	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
<b>Loans and receivables</b>	41.1.1	<b>2,181</b>	<b>2,173</b>	<b>24,684</b>	<b>25,676</b>
<b>Available-for-sale financial assets</b>	41.1.2	<b>1,658</b>	<b>868</b>	<b>35</b>	<b>-</b>
<b>Financial assets held to maturity</b>	41.1.3	<b>-</b>	<b>117</b>	<b>-</b>	<b>1</b>
<b>Financial assets at fair value through profit or loss</b>					
Financial assets designated upon initial recognition (fair value option)	41.1.4	-	45	-	-
Derivative financial assets at FVTPL	41.1.4	21	13	3,027	4,466
Other financial assets held for trading	41.1.4	-	-	1	-
<b>Total financial assets at fair value through profit or loss</b>		<b>21</b>	<b>58</b>	<b>3,028</b>	<b>4,466</b>
<b>Derivative financial assets designated as hedging instruments</b>					
Fair value hedge derivatives	41.1.5	36	46	1	-
Cash flow hedge derivatives	41.1.5	1,552	2,284	917	607
<b>Total derivative financial assets designated as hedging instruments</b>		<b>1,588</b>	<b>2,330</b>	<b>918</b>	<b>607</b>
<b>TOTAL</b>		<b>5,448</b>	<b>5,546</b>	<b>28,665</b>	<b>30,750</b>

For more information on fair value measurement, please see note 45 "Assets measured at fair value".

### 41.1.1 Loans and receivables

The following table shows loans and receivables by nature, broken down into current and non-current financial assets.

Millions of euro	Non-current			Current		
	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Notes	at Dec. 31, 2016	at Dec. 31, 2015
Cash and cash equivalents		-	-	30	8,290	10,639
Trade receivables	27	-	-	27	13,506	12,797
Short-term portion of long-term financial receivables		-	-	28.1	767	769
Receivables for factoring		-	-	28.1	128	147
Cash collateral		-	-	28.1	1,082	1,020
Other financial receivables	24.1	2,181	2,173	28.1	911	304
<b>Total</b>		<b>2,181</b>	<b>2,173</b>		<b>24,684</b>	<b>25,676</b>

Trade receivables from customers at December 31, 2016 amounted to €13,506 million (€12,797 million at December 31, 2015) and are recognized net of allowances for impar-

ment losses, which amounted to €2,028 million at the end of the year, compared with the opening balance of €2,085 million.

The table below shows impairment losses on trade receivables.

Millions of euro	at Dec. 31, 2016	at Dec. 31, 2015
<b>Trade receivables</b>		
Gross value	15,534	14,882
Allowances for impairment	(2,028)	(2,085)
<b>Net value</b>	<b>13,506</b>	<b>12,797</b>

The table below shows changes in these allowances during the year.

Millions of euro	
<b>Opening balance at January 1, 2015</b>	<b>1,662</b>
Charge for the year	992
Utilized	(546)
Unused amounts reversed	(178)
Other changes	155
<b>Closing balance at December 31, 2015</b>	<b>2,085</b>
<b>Opening balance at January 1, 2016</b>	<b>2,085</b>
Charge for the year	873
Utilized	(548)
Unused amounts reversed	(151)
Other changes	(231)
<b>Closing balance at December 31, 2016</b>	<b>2,028</b>

Note 42 "Risk management" provides additional information on the ageing of receivables past due but not impaired.

### 41.1.2 Financial assets available for sale

The following table shows available-for-sale financial assets by nature, broken down into current and non-current financial assets.

Millions of euro		Non-current			Current	
	Notes	at Dec. 31, 2016	at Dec. 31, 2015	Notes	at Dec. 31, 2016	at Dec. 31, 2015
Equity investments in other companies	24	196	237	24	-	-
Available-for-sale securities	24.1	440	-	28.1	35	-
Service concession arrangements	24	1,022	631		-	-
<b>Total</b>		<b>1,658</b>	<b>868</b>		<b>35</b>	<b>-</b>

### Changes in financial assets available for sale

Millions of euro	Non-current	Current
<b>Opening balance at January 1, 2016</b>	<b>868</b>	<b>-</b>
Increases	1,096	-
Decreases	(17)	-
Changes in fair value through OCI	(36)	-
Reclassifications	218	23
Other changes	(471)	12
<b>Closing balance at December 31, 2016</b>	<b>1,658</b>	<b>35</b>

### 41.1.3 Financial assets held to maturity

At December 31, 2016 financial assets held to maturity amounted to zero. The decrease compared with the previous year essentially reflects the reduction of €117 million in non-current securities held by Enel Insurance.

### 41.1.4 Financial assets at fair value through profit or loss

The following table shows financial assets at fair value through profit or loss by nature, broken down into current and non-current financial assets.

Millions of euro	Notes	Non-current		Notes	Current	
		at Dec. 31, 2016	at Dec. 31, 2015		at Dec. 31, 2016	at Dec. 31, 2015
<b>Derivatives at FVTPL</b>	44	<b>21</b>	<b>13</b>	44	<b>3,027</b>	<b>4,466</b>
Securities held for trading		-	-	24.1	1	-
Financial investments in funds	24.1	-	45		-	-
<b>Total financial assets designated upon initial recognition (fair value option)</b>		<b>-</b>	<b>45</b>		<b>-</b>	<b>-</b>
<b>TOTAL</b>		<b>21</b>	<b>58</b>		<b>3,028</b>	<b>4,466</b>

### 41.1.5 Derivative financial assets designated as hedging instruments

For more information on derivative financial assets, please see note 44 "Derivatives and hedge accounting".

## 41.2 Financial liabilities by category

The following table shows the carrying amount for each category of financial liability provided for under IAS 39, broken down into current and non-current financial liabilities, showing hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro	Notes	Non-current		Notes	Current	
		at Dec. 31, 2016	at Dec. 31, 2015		at Dec. 31, 2016	at Dec. 31, 2015
<b>Financial liabilities measured at amortized cost</b>	41.2.1	<b>41,336</b>	<b>44,872</b>		<b>22,444</b>	<b>19,663</b>
<b>Financial liabilities at fair value through profit or loss</b>						
Derivative financial liabilities at FVTPL	44	22	41		3,016	4,734
<b>Total financial liabilities at fair value through profit or loss</b>		<b>22</b>	<b>41</b>		<b>3,016</b>	<b>4,734</b>
<b>Derivative financial liabilities designated as hedging instruments</b>						
Fair value hedge derivatives	44	15	-		1	-
Cash flow hedge derivatives	44	2,495	1,477		305	775
<b>Total derivative financial liabilities designated as hedging instruments</b>		<b>2,510</b>	<b>1,477</b>		<b>306</b>	<b>775</b>
<b>TOTAL</b>		<b>43,868</b>	<b>46,390</b>		<b>25,766</b>	<b>25,172</b>

For more information on fair value measurement, please see note 46 "Liabilities measured at fair value".



## 41.2.1 Financial liabilities measured at amortized cost

The following table shows financial liabilities at amortized cost by nature, broken down into current and non-current financial liabilities.

Millions of euro	Notes	Non-current		Notes	Current	
		at Dec. 31, 2016	at Dec. 31, 2015		at Dec. 31, 2016	at Dec. 31, 2015
Long-term borrowings	41.3	41,336	44,872	41.3	4,384	5,733
Short-term borrowings		-	-	41.3	5,372	2,155
Trade payables	37	-	-	37	12,688	11,775
<b>Total</b>		<b>41,336</b>	<b>44,872</b>		<b>22,444</b>	<b>19,663</b>

## 41.3 Borrowings

### 41.3.1 Long-term borrowings (including the portion falling due within 12 months) - €45,720 million

The following table reports the carrying amount and fair value for each category of debt, including the portion falling due within 12 months. For listed debt instruments, the fair value is given by official prices, while for unlisted debt instruments, fair value is determined using valuation techniques appropriate for each category of financial instrument and the

associated market data at the reporting date, including the credit spreads of Enel SpA.

The following table reports the situation of long-term borrowings and repayment schedules at December 31, 2016, broken down by type of borrowing and interest rate.

Millions of euro	Nominal value	Carrying amount	Current portion	Portion	Fair value	Nominal value	Carrying amount	Current portion	Portion	Fair value	Changes
				due in more than 12 months					due in more than 12 months		in carrying amount
at Dec. 31, 2016						at Dec. 31, 2015					
<b>Bonds:</b>											
- listed, fixed rate	26,426	25,770	1,583	24,187	30,332	30,250	29,809	3,351	26,458	34,897	(4,039)
- listed, floating rate	3,338	3,320	376	2,944	3,673	4,098	4,076	1,155	2,921	4,190	(756)
- unlisted, fixed rate	5,660	5,619	1,422	4,197	6,240	5,479	5,436	-	5,436	6,186	183
- unlisted, floating rate	1,138	1,138	65	1,073	1,132	1,236	1,236	64	1,172	1,193	(98)
<b>Total bonds</b>	<b>36,562</b>	<b>35,847</b>	<b>3,446</b>	<b>32,401</b>	<b>41,377</b>	<b>41,063</b>	<b>40,557</b>	<b>4,570</b>	<b>35,987</b>	<b>46,466</b>	<b>(4,710)</b>
<b>Bank borrowings:</b>											
- fixed rate	1,283	1,278	152	1,126	1,372	1,169	1,147	137	1,010	1,256	131
- floating rate	6,951	6,902	597	6,305	7,187	6,555	6,529	707	5,822	6,812	373
- use of revolving credit lines	15	15	-	15	15	31	31	-	31	31	(16)
<b>Total bank borrowings</b>	<b>8,249</b>	<b>8,195</b>	<b>749</b>	<b>7,446</b>	<b>8,574</b>	<b>7,755</b>	<b>7,707</b>	<b>844</b>	<b>6,863</b>	<b>8,099</b>	<b>488</b>
<b>Non-bank borrowings:</b>											
- fixed rate	1,549	1,548	159	1,389	1,565	2,012	2,012	250	1,762	2,012	(464)
- floating rate	130	130	30	100	138	329	329	69	260	341	(199)
<b>Total non-bank borrowings</b>	<b>1,679</b>	<b>1,678</b>	<b>189</b>	<b>1,489</b>	<b>1,703</b>	<b>2,341</b>	<b>2,341</b>	<b>319</b>	<b>2,022</b>	<b>2,353</b>	<b>(663)</b>
<b>Total fixed-rate borrowings</b>	<b>34,918</b>	<b>34,215</b>	<b>3,316</b>	<b>30,899</b>	<b>39,509</b>	<b>38,910</b>	<b>38,404</b>	<b>3,738</b>	<b>34,666</b>	<b>44,351</b>	<b>(4,189)</b>
<b>Total floating-rate borrowings</b>	<b>11,572</b>	<b>11,505</b>	<b>1,068</b>	<b>10,437</b>	<b>12,145</b>	<b>12,249</b>	<b>12,201</b>	<b>1,995</b>	<b>10,206</b>	<b>12,567</b>	<b>(696)</b>
<b>TOTAL</b>	<b>46,490</b>	<b>45,720</b>	<b>4,384</b>	<b>41,336</b>	<b>51,654</b>	<b>51,159</b>	<b>50,605</b>	<b>5,733</b>	<b>44,872</b>	<b>56,918</b>	<b>(4,885)</b>

The balance for bonds is reported net of €842 million in respect of the unlisted floating-rate “Special series of bonds reserved for employees 1994-2019”, which the Parent Company holds in portfolio.

The table below reports long-term financial debt by currency and interest rate.

## Long-term financial debt by currency and interest rate

Millions of euro	Carrying amount	Nominal value	Carrying amount	Nominal value	Current average nominal interest rate	Current effective interest rate
	at Dec. 31, 2016		at Dec. 31, 2015		at Dec. 31, 2016	
<b>Euro</b>	<b>25,546</b>	<b>26,127</b>	<b>31,059</b>	<b>31,433</b>	<b>3.7%</b>	<b>4.1%</b>
US dollar	9,879	9,978	9,552	9,636	6.1%	6.3%
Pound sterling	4,955	5,011	5,775	5,845	6.1%	6.2%
Colombian peso	1,872	1,872	1,358	1,358	11.1%	11.1%
Brazilian real	1,088	1,098	875	880	13.7%	13.8%
Swiss franc	539	540	534	535	3.1%	3.1%
Chilean peso/UF	490	501	445	456	7.9%	8.1%
Peruvian sol	437	437	410	410	6.2%	6.2%
Russian ruble	295	295	124	124	12.2%	12.2%
Japanese yen	255	255	240	240	2.4%	2.5%
Other currencies	364	376	233	242		
<b>Total non-euro currencies</b>	<b>20,174</b>	<b>20,363</b>	<b>19,546</b>	<b>19,726</b>		
<b>TOTAL</b>	<b>45,720</b>	<b>46,490</b>	<b>50,605</b>	<b>51,159</b>		

Long-term financial debt denominated in currencies other than the euro increased by €628 million. The change is lar-

gely attributable to new borrowing in US dollars by the companies operating in Latin America.

## Change in the nominal value of long-term debt

Millions of euro	Nominal value	Repayments	Change in own bonds	Change in the scope of consolidation	Exchange offer	New financing	Exchange differences	Reclassification from/to assets/ (liabilities) held for sale	Nominal value
	at Dec. 31, 2015								at Dec. 31, 2016
Bonds	41,063	(5,289)	(34)	-	183	946	(307)	-	36,562
Borrowings	10,096	(1,450)	-	(504)	-	1,393	393	-	9,928
<b>Total financial debt</b>	<b>51,159</b>	<b>(6,739)</b>	<b>(34)</b>	<b>(504)</b>	<b>183</b>	<b>2,339</b>	<b>86</b>	<b>-</b>	<b>46,490</b>

Compared with December 31, 2015, the nominal value of long-term debt at December 31, 2016 decreased by €4,669 million, the net effect of €2,339 million in new borrowings, €183 million in the bond exchange transaction carried out by Enel Finance International and €86 million in exchange rate losses, which were easily offset by repayments of €6,739 million and the change in the scope of consolidation in the amount of €504 million. The latter change mainly reflected the deconsolidation of the debt of EGPNA Renewable Ener-

gy Partners LLC (“EGPNA REP”), following the reduction by Enel Green Power North America of its interest in EGPNA REP from 51% to 50% and the transformation of the latter company into an equally held joint venture with GE Energy Financial Services.

The main repayments in 2016 concerned bonds in the amount of €5,289 million and borrowings totaling €1,450 million.

More specifically, the main bonds maturing in 2016 included:

- > a floating-rate bond (€1,000 million) issued by Enel SpA, maturing in February 2016;
- > a fixed-rate bond (€2,000 million) issued by Enel SpA, maturing in February 2016;
- > a fixed-rate bond (€1,080 million) issued by Enel Finance International, maturing in September 2016;
- > a fixed-rate bond in US dollars (the equivalent of €235 million) issued by Enel Américas, formerly Enersis, maturing in December 2016;
- > bonds (the equivalent of €158 million) issued by a number of Latin American companies, maturing in 2016.

The main repayments of borrowings in the year included the following:

- > €281 million in respect of subsidized loans of e-distribuzione and Enel Produzione;
- > €152 million in respect of floating-rate bank borrowings of Endesa, of which €41 million in subsidized loans;
- > €142 million in respect of floating-rate bank borrowings of Enel Green Power SpA, of which €45 million in subsidized loans;
- > the equivalent of €224 million in respect of bank borrowings of Enel Russia, of which €81 million in subsidized loans;

- > the equivalent of €263 million in respect of loans of companies in Latin America;
- > the equivalent of €172 million in respect of loans of Enel Green Power North America.

In May 2016, following a non-binding exchange offer, the subsidiary Enel Finance International carried out the repurchase and concomitant issue of a senior fixed-rate bond maturing in June 2026 (the “exchange offer”). The amount repurchased (€1,074 million) and that issued (€1,257 million) generated a net cash inflow of €183 million. From an accounting standpoint, taking account of the characteristics of the instruments exchanged and the quantitative limits set by the applicable accounting standard, the exchange offer did not give rise to the extinguishment of the pre-existing financial liability. As the non-binding exchange offer was subscribed by only part of the original bondholders, the previous issue remains in circulation on the market in the total notional amount of €5,458 million, maturing between 2017 and 2023.

The main new borrowing carried out in 2016 involved bonds in the amount of €946 million and borrowings of €1,393 million.

The table below shows the main characteristics of financial transactions carried out in 2016.

	Issuer/Grantor	Issue/Grant date	Amount in millions of euro	Currency	Interest rate	Interest rate type	Maturity
<b>Bonds:</b>							
Local bonds	Enel Américas	25/10/2016	552	USD	4.00%	Fixed rate	25/10/2026
	Emgesa	11/02/2016	61	COP	COP CPI 3M + 349 bp	Floating rate	11/02/2019
	Emgesa	11/02/2016	75	COP	COP CPI 3M + 469 bp	Floating rate	11/02/2023
	Emgesa	27/09/2016	91	COP	7.59%	Fixed rate	27/09/2022
<b>Total bonds</b>			<b>779</b>				
<b>Bank borrowings:</b>							
	Ampla	07/03/2016	70	USD	USD LIBOR 6M + 153 bp	Floating rate	07/03/2019
	Codensa	17/03/2016	57	COP	8.49%	Fixed rate	18/03/2019
	Codensa	10/06/2016	49	COP	8.82%	Fixed rate	10/06/2020
	Enel Russia	03/03/2016	131	RUR	12.50%	Fixed rate	04/02/2021
	Enel Green Power Brazil	14/01/2016	134	USD	USD LIBOR 3M +115 bp	Floating rate	10/01/2020
	Enel Green Power Brazil	18/05/2016	63	BRL	CDI + 300 bp	Floating rate	18/05/2017
	Enel Green Power Brazil	22/12/2016	55	BRL	TJLP + 202 bp	Floating rate	15/06/2037
	Enel Sole	22/12/2016	75	EUR	EURIBOR 6M + 46 bp	Floating rate	22/12/2031
	Enel Produzione	22/12/2016	50	EUR	EURIBOR 6M + 46 bp	Floating rate	22/12/2034
	Enel	20/07/2016	50	EUR	EURIBOR 6M + 33 bp	Floating rate	15/07/2020
	Enel Green Power	28/10/2016	50	EUR	EURIBOR 6M + 41 bp	Floating rate	28/10/2031
<b>Total bank borrowings</b>			<b>784</b>				

Among the main financing contracts finalized in 2016, on July 15, 2016, a 4-year €500 million credit facility was agreed between Enel SpA and UniCredit SpA. The facility was drawn in the amount of €50 million at December 31, 2016.

The Group's main long-term financial liabilities are governed by covenants that are commonly adopted in international business practice. These liabilities primarily regard the bond issues carried out within the framework of the Global Medium-Term Notes program, issues of subordinated unconvertible hybrid bonds (so-called "hybrid bonds") and loans granted by banks and other financial institutions (including the European Investment Bank and Cassa Depositi e Prestiti SpA).

The main covenants regarding bond issues carried out within the framework of the Global Medium-Term Notes

program of (i) Enel and Enel Finance International NV and of (ii) Endesa Capital SA and International Endesa BV, can be summarized as follows:

- > negative pledge clauses under which the issuer and the guarantor may not establish or maintain mortgages, liens or other encumbrances on all or part of its assets or revenue to secure certain financial liabilities, unless the same encumbrances are extended equally or pro rata to the bonds in question;
- > pari passu clauses, under which the bonds and the associated security constitute a direct, unconditional and unsecured obligation of the issuer and the guarantor, are issued without preferential rights among them and have at least the same seniority as other present and future unsubordinated and unsecured bonds of the issuer and the guarantor;
- > cross-default clauses, under which the occurrence of a

default event in respect of a specified financial liability (above a threshold level) of the issuer, the guarantor or, in some cases, "significant" subsidiaries constitutes a default in respect of the liabilities in question, which become immediately repayable.

The main covenants covering Enel's hybrid bonds can be summarized as follows:

- > subordination clauses, under which each hybrid bond is subordinate to all other bonds issued by the company and has the same seniority with all other hybrid financial instruments issued, being senior only to equity instruments;
- > prohibition on mergers with other companies, the sale or leasing of all or a substantial part of the company's assets to another company, unless the latter succeeds in all obligations of the issuer.

The main covenants envisaged in the loan contracts of Enel and Enel Finance International NV and the other Group companies can be summarized as follows:

- > negative pledge clauses, under which the borrower and, in some cases, the guarantor are subject to limitations on the establishment of mortgages, liens or other encumbrances on all or part of their respective assets, with the exception of expressly permitted encumbrances;
- > disposals clauses, under which the borrower and, in some cases, the guarantor may not dispose of their assets or operations, with the exception of expressly permitted disposals;
- > pari passu clauses, under which the payment undertakings of the borrower have the same seniority as its other unsecured and unsubordinated payment obligations;

- > change of control clauses, under which the borrower and, in some cases, the guarantor could be required to renegotiate the terms and conditions of the financing or make compulsory early repayment of the loans granted;
- > rating clauses, which provide for the borrower or the guarantor to maintain their rating above a certain specified level;
- > cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the issuer or, in some cases, the guarantor constitutes a default in respect of the liabilities in question, which become immediately repayable.

In some cases the covenants are also binding for the significant companies or subsidiaries of the obligated parties.

All the financial borrowings considered specify "events of default" typical of international business practice, such as, for example, insolvency, bankruptcy proceedings or the entity ceases trading.

In addition, the guarantees issued by Enel in the interest of e-distribuzione SpA for certain loans to e-distribuzione SpA from Cassa Depositi e Prestiti SpA require that at the end of each six-month measurement period Enel's net consolidated financial debt shall not exceed 4.5 times annual consolidated EBITDA.

Finally, the debt of Enel Américas SA and the other Latin American subsidiaries (notably Enel Generación Chile SA) contain covenants and events of default typical of international business practice.

The following table reports the impact on gross long-term debt of hedges established to mitigate exchange risk.

## Long-term financial debt by hedged currency

Millions of euro

at Dec. 31, 2016

	Initial debt structure			Impact of hedge	Debt structure after hedging	
	Carrying amount	Nominal amount	%			
<b>Euro</b>	<b>25,546</b>	<b>26,127</b>	<b>56.2%</b>	<b>12,220</b>	<b>38,347</b>	<b>82.5%</b>
US dollar	9,879	9,978	21.5%	(6,889)	3,089	6.6%
Pound sterling	4,955	5,011	10.8%	(5,011)	-	-
Colombian peso	1,872	1,872	4.0%	-	1,872	4.0%
Brazilian real	1,088	1,098	2.4%	276	1,374	3.0%
Swiss franc	539	540	1.2%	(540)	-	-
Chilean peso/UF	490	501	1.1%	-	501	1.1%
Peruvian sol	437	437	0.9%	-	437	0.9%
Russian ruble	295	295	0.6%	112	407	0.9%
Japanese yen	255	255	0.5%	(255)	-	-
Other currencies	364	376	0.8%	87	463	1.0%
<b>Total non-euro currencies</b>	<b>20,174</b>	<b>20,363</b>	<b>43.8%</b>	<b>(12,220)</b>	<b>8,143</b>	<b>17.5%</b>
<b>TOTAL</b>	<b>45,720</b>	<b>46,490</b>	<b>100.0%</b>	<b>-</b>	<b>46,490</b>	<b>100.0%</b>

The amount of floating-rate debt that is not hedged against interest rate risk is the main risk factor that could impact the

income statement (raising borrowing costs) in the event of an increase in market interest rates.

Millions of euro

2016

2015

	Pre-hedge		%	Post-hedge		%	Pre-hedge		%	Post-hedge		%
Floating rate	17,240	33.1%		14,667	28.1%		14,405	27.0%		11,055	20.7%	
Fixed rate	34,918	66.9%		37,491	71.9%		38,910	73.0%		42,260	79.3%	
<b>Total</b>	<b>52,158</b>			<b>52,158</b>			<b>53,315</b>			<b>53,315</b>		

At December 31, 2016, 33% of financial debt was floating rate (27% at December 31, 2015). Taking account of hedges of interest rates considered effective pursuant to the IFRS-EU, 28% of net financial debt (21% at December 31, 2015) was exposed to interest rate risk. Including interest rate derivatives treated as hedges for management purposes but

ineligible for hedge accounting, 72% of net financial debt was hedged (79% hedged at December 31, 2015).

These results are in line with the limits established in the risk management policy.

at Dec. 31, 2015

Initial debt structure			Impact of hedge	Debt structure after hedging	
Carrying amount	Nominal amount	%			
<b>31,059</b>	<b>31,433</b>	<b>61.4%</b>	<b>12,770</b>	<b>44,203</b>	<b>86.4%</b>
9,552	9,636	18.8%	(6,660)	2,976	5.8%
5,775	5,845	11.4%	(5,845)	-	-
1,358	1,358	2.7%	57	1,415	2.8%
875	880	1.7%	28	908	1.8%
534	535	1.0%	(535)	-	-
445	456	0.9%	230	686	1.3%
410	410	0.8%	(58)	352	0.7%
124	124	0.2%	235	359	0.7%
240	240	0.5%	(240)	-	-
233	242	0.5%	18	260	0.5%
<b>19,546</b>	<b>19,726</b>	<b>38.6%</b>	<b>(12,770)</b>	<b>6,956</b>	<b>13.6%</b>
<b>50,605</b>	<b>51,159</b>	<b>100.0%</b>	<b>-</b>	<b>51,159</b>	<b>100.0%</b>

### 41.3.2 Short-term borrowings - €5,372 million

At December 31, 2016 short-term borrowings amounted to €5,372 million, an increase of €3,217 million on December 31, 2015. They break down as follows.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
Short-term bank borrowings	909	180	729
Commercial paper	3,059	213	2,846
Cash collateral on derivatives and other financing	1,286	1,698	(412)
Other short-term borrowings <sup>(1)</sup>	118	64	54
<b>Short-term borrowings</b>	<b>5,372</b>	<b>2,155</b>	<b>3,217</b>

(1) Does not include current financial debt included in other current financial liabilities.

Short-term bank borrowings amounted to €909 million. The payables represented by commercial paper relate to issues outstanding at the end of December 2016 in the context of the €6,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA, which was renewed in April 2010, as well as the €3,000 million program of International Endesa BV and that

of Enel Américas and Enel Generación Chile of \$400 million (equal to €379 million).

At December 31, 2016 issues under these programs totaled €3,059 million, of which €2,127 million pertaining to Enel Finance International and €932 million to International Endesa BV.

## 41.4 Derivative financial liabilities

For more information on derivative financial liabilities, please see note 44 "Derivatives and hedge accounting".

## 41.5 Net gains and losses

The following table shows net gains and losses by category of financial instruments, excluding derivatives.

Millions of euro

	2016		2015	
	Net gains/ (losses)	Of which impairment/ reversal of impairment	Net gains/ (losses)	Of which impairment/ reversal of impairment
Available-for-sale financial assets measured at fair value	59	-	-	-
Available-for-sale financial assets measured at amortized cost	7	-	8	-
Held-to-maturity financial assets	(1)	-	7	-
Loans and receivables	(595)	(764)	149	-
<b>Financial assets at FVTPL</b>				
Financial assets held for trading	1	-	-	-
Financial assets designated upon initial recognition (fair value option)	(1)	-	5	-
<b>Total financial assets at FVTPL</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>
Financial liabilities measured at amortized cost	(1,873)	-	(3,900)	-
<b>Financial liabilities at FVTPL</b>				
Financial liabilities held for trading	-	-	-	-
Financial liabilities designated upon initial recognition (fair value option)	-	-	-	-
<b>Total financial liabilities at FVTPL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

For more details on net gains and losses on derivatives, please see note 10 "Net financial income/(expense) from derivatives".



## 42. Risk management

### Financial risk management objectives and policies

As part of its operations, the Enel Group is exposed to a variety of financial risks, notably market risks (including interest rate risk, exchange risk and commodity risk), credit risk and liquidity risk.

The Group's governance arrangements for financial risk envisage:

- > specific internal committees, formed of members of the Group's top management and chaired by the CEO, which are responsible for strategic policy-making and oversight of risk management;
- > the establishment of specific policies set at both the Group level and at the level of individual Regions/Countries/global business lines, which define the roles and responsibilities for those involved in managing, monitoring and controlling risks, ensuring the organizational separation of units involved in managing the Group's business and those responsible for managing risk;
- > the specification of operational limits at both the Group level and at the level of individual Regions/Countries/global business lines for the various types of risk. These limits are monitored periodically by the risk management units.

### Market risks

Market risk is the risk that the expected cash flows or the fair value of financial and non-financial assets and liabilities could change owing to changes in market prices.

Market risks are essentially composed of interest rate risk, exchange risk and commodity price risk.

Interest rate risk and exchange risk are primarily generated by the presence of financial instruments.

The main financial liabilities held by the Company include bonds, bank borrowings, other borrowings, commercial paper, derivatives, cash collateral for derivatives transactions, liabilities for construction contracts and trade payables.

The main purpose of those financial instruments is to finance the operations of the Group.

The main financial assets held by the Group include financial receivables, factoring receivables, derivatives, cash collateral for derivatives transactions, cash and cash equivalents, receivables for construction contracts and trade receivables. For more details, please see note 41 "Financial instruments".

The sources of exposure to interest rate risk and exchange risk did not change with respect to the previous year.

The nature of the financial risks to which the Group is exposed is such that changes in interest rates can cause an increase in net financial expense or adverse changes in the value of assets/liabilities measured at fair value.

The Group is also exposed to the risk that changes in the

exchange rates between the euro and the main foreign currencies could have an adverse impact on the value in euro of performance and financial aggregates denominated in foreign currencies, such as costs, revenue, assets and liabilities, as well as the consolidation values of equity investments denominated in currencies other than the euro (translation risk). As with interest rates, changes in exchange rates can cause variations in the value of financial assets and liabilities measured at fair value.

The Group's policies for managing market risks provide for the mitigation of the effects on performance of changes in interest rates and exchange rates with the exclusion of translation risk. This objective is achieved both at the source of the risk, through the strategic diversification of the nature of financial assets and liabilities, and by modifying the risk profile of specific exposures with derivatives entered into on over-the-counter markets (OTC).

The risk of fluctuations in commodity prices is generated by the volatility of those prices and existing structural correlations between them, which creates uncertainty about the margin on transactions in fuels and energy. Price developments are observed and analyzed in order to develop the Group's industrial, financial and commercial strategies and policies.

In order to contain the effects of such fluctuations and stabilize margins, Enel develops, in accordance with the

Group's policies and risk governance limits, strategies that impact the various stages of the industrial process associated with the production and sale of electricity and gas, such as advance sourcing and hedging, and plans and techniques for hedging financial risks with derivatives. The Group companies develop strategies for hedging the price risk arising from trading in commodities and, using financial instruments, reduce or eliminate market risk, sterilizing the variable components of price. If authorized, they can also engage in proprietary trading in the energy commodities used by the Group in order to monitor and enhance their understanding of the most relevant markets.

The organizational structure provides for a single entity to operate on behalf of the entire Group in sourcing fuels and selling electricity and gas on wholesale markets, as well as centralizing trading with the direct control of the units involved in that business, which as they also operate at the

## Interest rate risk

Interest rate risk is the risk that the fair value or expected cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The main source of interest rate risk for the Enel Group is the presence of financial instruments. It manifests itself primarily as a change in the flows associated with interest payments on floating-rate financial liabilities, a change in financial terms and conditions in negotiating new debt instruments or as an adverse change in the value of financial assets/liabilities measured at fair value, which are typically fixed-rate debt instruments.

For more information, please see note 41 "Financial instruments".

The Enel Group manages interest rate risk through the definition of an optimal financial structure, with the dual goal of stabilizing borrowing costs and containing the cost of funds. This goal is pursued through the strategic diversification of the portfolio of financial liabilities by contract type, maturity and interest rate, and modifying the risk profile of specific exposures using OTC derivatives, mainly interest rate swaps and interest rate options. The term of such contracts does not exceed the maturity of the underlying financial liability, so that any change in the fair value and/or cash flows of such contracts is offset by a corresponding change in the fair value and/or cash flows of the hedged position.

Proxy hedging techniques may be used in a number of residual circumstances, when the hedging instruments for the risk factors are not available on the market or are not suffi-

ciently liquid. For the purpose of EMIR compliance, in order to test the actual effectiveness of the hedging techniques adopted, the Group subjects its hedge portfolios to periodic statistical assessment.

Using interest rate swaps, the Enel Group agrees with the counterparty to periodically exchange floating-rate interest flows with fixed-rate flows, both calculated on the same notional principal amount.

Floating-to-fixed interest rate swaps transform floating-rate financial liabilities into fixed-rate liabilities, thereby neutralizing the exposure of cash flows to changes in interest rates.

Fixed-to-floating interest rate swaps transform fixed-rate financial liabilities into floating-rate liabilities, thereby neutralizing the exposure of their fair value to changes in interest rates.

Floating-to-floating interest rate swaps permit the exchange of floating-rate interest flows based on different indexes. Some structured borrowings have multi-stage interest flows hedged by interest rate swaps that at the reporting date, and for a limited time, provide for the exchange of fixed-rate interest flows.

Interest rate options involve the exchange of interest differences calculated on a notional principal amount once certain thresholds (strike prices) are reached. These thresholds specify the effective maximum rate (cap) or the minimum rate (floor) on the debt as a result of the hedge. Hedging strategies can also make use of combinations of options

(collars) that establish the minimum and maximum rates at the same time. In this case, the strike prices are normally set so that no premium is paid on the contract (zero cost collars).

Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate options

are also considered most appropriate in periods of uncertainty about future interest rate developments because they make it possible to benefit from any decrease in interest rates.

The following table reports the notional amount of interest rate derivatives at December 31, 2016 and December 31, 2015 broken down by type of contract.

Millions of euro	Notional amount	
	2016	2015
Floating-to-fixed interest rate swaps	11,526	10,910
Fixed-to-floating interest rate swaps	853	853
Fixed-to-fixed interest rate swaps	-	-
Floating-to-floating interest rate swaps	165	180
Interest rate options	50	50
<b>Total</b>	<b>12,594</b>	<b>11,993</b>

For more details on interest rate derivatives, please see note 44 "Derivatives and hedge accounting".

### Interest rate risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in interest rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and on equity of market scenarios that would cause a change in the fair value of derivatives or in the

financial expense associated with unhedged gross debt.

These scenarios are represented by parallel increases and decreases in the yield curve as at the reporting date.

There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the Group's profit before tax would be affected by a change in the level of interest rates as follows.

Millions of euro		2016			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Basis points	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term floating-rate debt after hedging	25	22	(22)	-	-
Change in fair value of derivatives classified as non-hedging instruments	25	7	(7)	-	-
<b>Change in fair value of derivatives designated as hedging instruments</b>					
Cash flow hedges	25	-	-	188	(188)
Fair value hedges	25	(6)	6	-	-

### Exchange risk

Exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

For the companies of the Enel Group, the main source of

exchange risk is the presence of financial instruments and cash flows denominated in a currency other than its currency of account and/or functional currency.

More specifically, exchange risk is mainly generated with the following transaction categories:

- > debt denominated in currencies other than the currency of account or the functional currency entered into by the holding company or the individual subsidiaries;
- > cash flows in respect of the purchase or sale of fuel or electricity on international markets;
- > cash flows in respect of investments in foreign currency, dividends from unconsolidated foreign companies or the purchase or sale of equity investments.

The sources of exposure to exchange risk did not change with respect to the previous year.

For more details, please see note 41 "Financial instruments."

In order to minimize this risk, the Group normally uses a variety of over-the-counter (OTC) derivatives such as cross currency interest rate swaps, currency forwards and currency swaps.

The term of such contracts does not exceed the maturity of the underlying financial liability, so that any change in the fair value and/or cash flows of such contracts offsets the corresponding change in the fair value and/or cash flows of the hedged position.

Cross currency interest rate swaps are used to transform a

long-term financial liability in foreign currency into an equivalent liability in the currency of account or functional currency of the company holding the exposure.

Currency forwards are contracts in which the counterparties agree to exchange principal amounts denominated in different currencies at a specified future date and exchange rate (the strike). Such contracts may call for the actual exchange of the two amounts (deliverable forwards) or payment of the difference between the strike exchange rate and the prevailing exchange rate at maturity (non-deliverable forwards). In the latter case, the strike rate and/or the spot rate may be determined as averages of the rates observed in a given period.

Currency swaps are contracts in which the counterparties enter into two transactions of the opposite sign at different future dates (normally one spot, the other forward) that provide for the exchange of principal denominated in different currencies.

The following table reports the notional amount of transactions outstanding at December 31, 2016 and December 31, 2015, broken down by type of hedged item.

Millions of euro	Notional amount	
	2016	2015 restated
Cross currency interest rate swaps (CCIRSs) hedging debt denominated in currencies other than the euro	14,973	15,812
Currency forwards hedging exchange risk on commodities	2,887	4,334
Currency forwards hedging future cash flows in currencies other than the euro	6,036	4,079
Currency swaps hedging commercial paper	-	-
Currency forwards hedging loans	-	181
Other currency forwards	1,014	262
<b>Total</b>	<b>24,910</b>	<b>24,668</b>

More specifically, these include:

- > CCIRSs with a notional amount of €14,973 million to hedge the exchange risk on debt denominated in currencies other than the euro (€15,812 million at December 31, 2015);
- > currency forwards with a total notional amount of €8,923 million used to hedge the exchange risk associated with purchases and sales of natural gas, purchases of fuel and expected cash flows in currencies other than the euro (€8,413 million at December 31, 2015);
- > other currency forwards which include OTC derivatives transactions carried out to mitigate exchange risk on ex-

pected cash flows in currencies other than the currency of account connected with the purchase of investment goods in the renewables and infrastructure and networks sectors (new generation digital meters).

At December 31, 2016, 44% (39% at December 31, 2015) of Group long-term debt was denominated in currencies other than the euro.

Taking account of hedges of exchange risk, the percentage of debt not hedged against that risk amounted to 18% at December 31, 2016 (13% at December 31, 2015).

## Exchange risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in exchange rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross medium/long-term debt.

These scenarios are represented by the appreciation/depreciation of the euro against all of the foreign currencies compared with the value observed as at the reporting date.

There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the profit before tax would be affected as follows.

Millions of euro		2016			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Exchange rate	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term debt denominated in currencies other than the euro after hedging	10%	-	-	-	-
Change in fair value of derivatives classified as non-hedging instruments	10%	227	(277)	-	-
<b>Change in fair value of derivatives designated as hedging instruments</b>					
Cash flow hedges	10%	-	-	(1,787)	2,184
Fair value hedges	10%	-	-	-	-

## Commodity risk

The Group is exposed to the risk of fluctuations in the price of commodities mainly associated with the purchase of fuel for power plants and the purchase and sale of natural gas under indexed contracts, as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on the electricity spot market).

The exposures on indexed contracts are quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold by the Group, Enel mainly uses fixed-price contracts in the form of bilateral physical contracts and financial contracts (e.g. contracts for differences, VPP contracts, etc.) in which differences are paid to the counterparty if the market electricity price exceeds the strike price and to Enel in the opposite case. The residual exposure in respect of the sale of energy on the spot market not hedged with such contracts is aggregated by uniform risk factors that can be managed with hedging transactions on the market. Proxy hedging techniques may be used for the industrial portfolios when the hedging instruments for the risk factors generating the exposure are not available on the market or are not sufficiently liquid, while portfolio hedging techniques can be used to assess opportunities for netting intercompany flows.

The Group mainly uses plain vanilla derivatives for hedging

(more specifically, forwards, swaps, options on commodities, futures, contracts for differences).

Enel also engages in proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations, which are performed only by Group companies expressly authorized to do so under corporate policies, consist in taking on exposures in energy commodities (oil products, gas, coal, CO<sub>2</sub> certificates and electricity in the main European countries) using financial derivatives and physical contracts traded on regulated and over-the-counter markets, exploiting profit opportunities through arbitrage transactions carried out on the basis of expected market developments.

The commodity risk management processes established at the Group level are designed to constantly monitor developments in risk over time and to determine whether the risk levels, as observed for specific analytical dimensions (for example, geographical areas, organizational structures, business lines, etc.), comply with the thresholds consistent with the risk appetite established by top management. These operations are conducted within the framework of formal governance rules that establish strict risk limits. Compliance with the limits is verified daily by units that are independent of those undertaking the transactions. Positions are monitored monthly, assessing the Profit at Risk, in the case of

industrial portfolios, and daily, calculating Value at Risk, in the case of the trading book.

The risk limits for Enel's proprietary trading are set in terms of Value at Risk over a 1-day time horizon and a confidence level of 95%; the Group limit for 2016 is equal to €15 million.

The following table reports the notional amount of outstanding transactions at December 31, 2016 and December 31, 2015, broken down by type of instrument.

Millions of euro	Notional amount	
	2016	2015
Forward and futures contracts	28,197	30,791
Swaps	6,195	5,904
Options	308	340
Embedded derivatives	-	-
<b>Total</b>	<b>34,700</b>	<b>37,035</b>

For more details, please see note 44 "Derivatives and hedge accounting".

### Commodity risk sensitivity analysis

The following table presents the results of the analysis of sensitivity to a reasonably possible change in the commodity prices underlying the valuation model used in the scenario at the same date, with all other variables held constant. The analysis assesses the impact of shifts in the commodity price curve of +10% and -10%.

The impact on pre-tax profit is mainly attributable to the change in the price of electricity and, to a lesser extent, gas and petroleum products. The impact on equity is almost entirely due to changes in the prices of coal and electricity. The Group's exposure to changes in the prices of other commodities is not material.

Millions of euro		2016			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Commodity price	Increase	Decrease	Increase	Decrease
Change in the fair value of trading derivatives on commodities	10%	(16)	33	-	-
Change in the fair value of derivatives on commodities designated as hedging instruments	10%	-	-	52	(54)

### Credit risk

The Group's commercial, commodity and financial operations expose it to credit risk, i.e. the possibility that an unexpected change in the creditworthiness of a counterparty could have an effect on the creditor position, in terms of insolvency (default risk) or changes in its market value (spread risk).

In recent years, in view of the instability and uncertainty that have affected the financial markets and an economic crisis of global proportions, average collection times have trended upwards. In order to minimize credit risk, credit exposures are managed at the Region/Country/business line level by different units, thereby ensuring the necessary segregation of risk management and control activities. Monitoring the

consolidated exposure is carried out by Enel SpA.

In particular, the policy for managing credit and the associated risks provides for the assessment of the creditworthiness of the main counterparties, the adoption of risk mitigation tools, such as secured and unsecured guarantees and standardized contractual frameworks in specific business areas, and the analysis of credit exposures.

In addition, at the Group level the policy provides for the use of uniform criteria – in all the main Regions/Countries/global business lines and at the consolidated level – in measuring commercial credit exposures in order to promptly identify any deterioration in the quality of outstanding receivables and any mitigation actions to be taken.

As regards the credit risk associated with commodity transactions, a uniform counterparty assessment system is used at the Group level, with local level implementation. Risk limits defined by the appropriate units of the Regions/Countries/global business lines have been applied and monitored.

For the credit risk generated by financial transactions, including those in derivatives, risk is minimized by selecting counterparties with high standing from among leading national and international financial institutions, diversifying the portfolio, entering into margin agreements that call for the exchange of cash collateral and/or using netting arrangements. An internal assessment system was used again in 2016 to apply and monitor operational limits for credit risk, approved by the Group Financial Risk Committee in respect of financial counterparties at the Region/Country/global business line level and at the consolidated level.

To manage credit risk even more effectively, for a number of years the Group has carried out non-recourse assignments of receivables, which have mainly involved specific seg-

ments of the commercial portfolio and, to a lesser extent, invoiced receivables and receivables to be invoiced of companies operating in other segments of the electricity industry than retail sales.

All of the above transactions are considered non-recourse transactions for accounting purposes and therefore involved the full derecognition of the corresponding assigned assets from the balance sheet, as the risks and rewards associated with them have been transferred.

## Concentration of customer credit risk

Trade receivables are generated by the Group's operations in many regions and countries (Italy, Spain, Latin America, Romania, Russia, North America, etc.) with a base of customers and counterparties that is highly diversified, whether geographically, sectorally (industrial companies, energy companies, communications, government entities, enterprises in retail trade, tourism, consumer goods, etc.) or by size (large corporate, small and medium-sized enterprises, residential customers). Through its subsidiaries, Enel has more than 60 million customers or counterparties with whom it has generally granular credit exposures.

## Financial assets past due but not impaired

Millions of euro	2016	2015
<b>Impaired trade receivables</b>	<b>2,027</b>	<b>2,085</b>
<b>Not past due and not impaired trade receivables</b>	<b>10,006</b>	<b>8,520</b>
<b>Past due but not impaired trade receivables:</b>	<b>3,500</b>	<b>4,277</b>
- less than 3 months	1,350	1,696
- from 3 months to 6 months	288	505
- from 6 months to 12 months	334	588
- from 12 months to 24 months	500	386
- more than 24 months	1,028	1,102
<b>Total</b>	<b>15,533</b>	<b>14,882</b>

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The objectives of liquidity risk management policies are:

- > ensuring an appropriate level of liquidity for the Group, minimizing the associated opportunity cost;
- > maintaining a balanced debt structure in terms of the maturity profile and funding sources.

In the short term, liquidity risk is mitigated by maintaining

an appropriate level of unconditionally available resources, including liquidity and short-term deposits, available committed credit lines and a portfolio of highly liquid asset.

In the long term, liquidity risk is mitigated by maintaining a balanced maturity profile for our debt, access to a range of sources of funding on different markets, in different currencies and with diverse counterparties.

The Group holds the following undrawn lines of credit.

Millions of euro	at Dec. 31, 2016		at Dec. 31, 2015	
	Expiring within one year	Expiring beyond one year	Expiring within one year	Expiring beyond one year
Committed credit lines	176	14,214	377	13,042
Uncommitted credit lines	448	19	648	-
Commercial paper	6,320	-	9,153	-
<b>Total</b>	<b>6,944</b>	<b>14,234</b>	<b>10,178</b>	<b>13,042</b>

Committed credit lines amounted to €14,390 million at the Group level, with €14,214 million expiring after 2017. Total available resources came to €21,178 million, of which €6,320 million in commercial paper.

In May 2016 Enel Finance International NV carried out an offer to exchange seven euro-denominated bonds maturing between 2017 and 2023 with a new euro-denominated issue

maturing at 10 years in the nominal amount of €1,257 million, paying a coupon of 1.375%.

The transaction was part of EFI's liability management program begun in the final Quarter of 2014 in order to actively manage maturities and the Group's funding costs.

For more information, please see note 41 "Financial instruments" in this report.

## Maturity analysis

The table below summarizes the maturity profile of the Group's long-term debt.

Millions of euro	Maturing in						
	Less than 3 months	From 3 months to 1 year	2018	2019	2020	2021	Beyond
<b>Bonds:</b>							
- listed, fixed rate	11	1,572	4,709	2,086	2,200	1,368	13,824
- listed, floating rate	214	162	797	322	124	135	1,566
- unlisted, fixed rate	-	1,422	-	1,655	-	-	2,542
- unlisted, floating rate	-	65	66	248	27	111	621
<b>Total bonds</b>	<b>225</b>	<b>3,221</b>	<b>5,572</b>	<b>4,311</b>	<b>2,351</b>	<b>1,614</b>	<b>18,553</b>
<b>Bank borrowings:</b>							
- fixed rate	24	128	296	192	214	67	357
- floating rate	91	506	812	827	704	643	3,319
- use of revolving credit lines	-	-	15	-	-	-	-
<b>Total bank borrowings</b>	<b>115</b>	<b>634</b>	<b>1,123</b>	<b>1,019</b>	<b>918</b>	<b>710</b>	<b>3,676</b>
<b>Non-bank borrowings:</b>							
- fixed rate	36	123	169	141	155	129	795
- floating rate	23	7	9	9	10	9	63
<b>Total non-bank borrowings</b>	<b>59</b>	<b>130</b>	<b>178</b>	<b>150</b>	<b>165</b>	<b>138</b>	<b>858</b>
<b>TOTAL</b>	<b>399</b>	<b>3,985</b>	<b>6,873</b>	<b>5,480</b>	<b>3,434</b>	<b>2,462</b>	<b>23,087</b>

## Commitments to purchase commodities

In conducting its business, the Enel Group has entered into contracts to purchase specified quantities of commodities at a certain future date for its own use, which qualify for the own use exemption provided for under IAS 39.

The following table reports the undiscounted cash flows associated with outstanding commitments at December 31, 2016.



Millions of euro

	at Dec. 31, 2016	2015-2019	2020-2024	2025-2029	Beyond
<b>Commitments to purchase commodities:</b>					
- electricity	63,407	18,996	12,827	10,703	20,881
- fuels	47,305	28,251	11,646	5,980	1,428
<b>Total</b>	<b>110,712</b>	<b>47,247</b>	<b>24,473</b>	<b>16,683</b>	<b>22,309</b>

## 43. Offsetting financial assets and financial liabilities

At December 31, 2016, the Group did not hold offset positions in assets and liabilities, as it is not the Enel Group's policy to settle financial assets and liabilities on a net basis.

## 44. Derivatives and hedge accounting

The following tables show the notional amount and the fair value of derivative financial assets and derivative financial liabilities eligible for hedge accounting or measured at FVTPL, classified on the basis of the type of hedge relationship and the hedged risk, broken down into current and non-current instruments.

The notional amount of a derivative contract is the amount on the basis of which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted at the end-year exchange rates provided by the European Central Bank.

Millions of euro

	Non-current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
<b>Fair value hedge derivatives:</b>								
- on interest rates	848	868	36	46	20	15	1	-
<b>Total</b>	<b>848</b>	<b>868</b>	<b>36</b>	<b>46</b>	<b>20</b>	<b>15</b>	<b>1</b>	<b>-</b>
<b>Cash flow hedge derivatives:</b>								
- on interest rates	379	7,090	3	116	17	25	-	1
- on exchange rates	8,057	13,554	1,531	2,163	3,561	2,921	464	280
- on commodities	99	37	18	5	1,869	1,093	453	326
<b>Total</b>	<b>8,535</b>	<b>20,681</b>	<b>1,552</b>	<b>2,284</b>	<b>5,447</b>	<b>4,039</b>	<b>917</b>	<b>607</b>
<b>Trading derivatives:</b>								
- on interest rates	50	50	3	2	-	-	-	-
- on exchange rates	120	102	7	5	3,246	2,064	70	63
- on commodities	69	53	11	6	15,539	16,488	2,957	4,403
<b>Total</b>	<b>239</b>	<b>205</b>	<b>21</b>	<b>13</b>	<b>18,785</b>	<b>18,552</b>	<b>3,027</b>	<b>4,466</b>
<b>TOTAL DERIVATIVE FINANCIAL ASSETS</b>	<b>9,622</b>	<b>21,754</b>	<b>1,609</b>	<b>2,343</b>	<b>24,252</b>	<b>22,606</b>	<b>3,945</b>	<b>5,073</b>

	Non-current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
<b>Fair value hedge derivatives:</b>								
- on interest rates	-	-	-	-	-	-	-	-
- on exchange rates	106	-	15	-	7	-	1	-
- on commodities	-	-	-	-	4	-	-	-
<b>Total</b>	<b>106</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>Cash flow hedge derivatives:</b>								
- on interest rates	11,042	3,643	695	459	31	95	1	2
- on exchange rates	5,686	1,991	1,764	1,006	457	673	88	96
- on commodities	352	187	36	12	1,096	2,028	216	677
<b>Total</b>	<b>17,080</b>	<b>5,821</b>	<b>2,495</b>	<b>1,477</b>	<b>1,584</b>	<b>2,796</b>	<b>305</b>	<b>775</b>
<b>Trading derivatives:</b>								
- on interest rates	88	107	13	16	119	100	73	65
- on exchange rates	37	140	5	18	3,633	3,223	62	43
- on commodities	64	93	4	7	15,608	17,056	2,881	4,626
<b>Total</b>	<b>189</b>	<b>340</b>	<b>22</b>	<b>41</b>	<b>19,360</b>	<b>20,379</b>	<b>3,016</b>	<b>4,734</b>
<b>TOTAL DERIVATIVE FINANCIAL LIABILITIES</b>	<b>17,375</b>	<b>6,161</b>	<b>2,532</b>	<b>1,518</b>	<b>20,955</b>	<b>23,175</b>	<b>3,322</b>	<b>5,509</b>

## 44.1 Derivatives designated as hedging instruments

Derivatives are initially recognized at fair value, at the trade date of the contract, and are subsequently re-measured at fair value.

The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedge accounting is applied to derivatives entered into in order to reduce risks such as interest rate risk, exchange risk, commodity risk, credit risk and equity risk when all the criteria provided for under IAS 39 are met.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Group also analyzes, both at hedge inception and on an ongoing systematic basis, the effectiveness of hedges using prospective and retrospective tests in order to determine whether hedging instruments are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Depending on the nature of the risks to which it is exposed, the Group designates derivatives as hedging instruments in one of the following hedge relationships:

- > cash flow hedge derivatives in respect of the risk of: i) changes in the cash flows associated with long-term floating-rate debt; ii) changes in the exchange rates associated with long-term debt denominated in a currency other than the currency of account or the functional currency in which the company holding the financial liability operates; iii) changes in the price of fuels and non-energy commodities denominated in a foreign currency; iv) changes in the price of forecast electricity sales at variable prices; and v) changes in the price of transactions in coal and petroleum commodities;
- > fair value hedge derivatives involving the hedging of exposures to changes in the fair value of an asset, a liability or a firm commitment attributable to a specific risk;
- > derivatives hedging a net investment in a foreign operation (NIFO), involving the hedging of exposures to exchange rate volatility associated with investments in foreign entities.

For more details on the nature and the extent of risks arising from financial instruments to which the Company is exposed, please see note 42 "Risk management".

### Cash flow hedges

Cash flow hedges are used in order to hedge the Group's exposure to changes in future cash flows that are attributable to

a particular risk associated with an asset, a liability or a highly probable transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting but the hedged item has not expired or been cancelled, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

The Group currently uses these hedge relationships to minimize the volatility of profit or loss.

### Fair value hedges

Fair value hedges are used to protect the Group against exposures to adverse changes in the fair value of assets, liabilities or firm commitments attributable to a particular risk that could affect profit or loss.

Changes in the fair value of derivatives that qualify and are designated as hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedge is ineffective or no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

The Group currently makes marginal use of such hedge relationships to seize opportunities associated with general developments in the yield curve.

## 44.1.1 Hedge relationships by type of risk hedged

### Interest rate risk

The following table shows the notional amount and the fair value of the hedging instruments on the interest rate risk of

transactions outstanding as at December 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro		Fair value		Notional amount	
Hedging instrument	Hedged item	at Dec. 31, 2016		at Dec. 31, 2015	
		Fair value	Notional amount	Fair value	Notional amount
Interest rate swaps	Fixed-rate borrowings	35	853	44	853
Interest rate swaps	Floating-rate borrowings	(691)	11,484	(342)	10,883
<b>Total</b>		<b>(656)</b>	<b>12,337</b>	<b>(298)</b>	<b>11,736</b>

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at De-

cember 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
Fair value hedge derivatives:								
- interest rate swaps	868	883	37	46	-	-	-	-
Cash flow hedge derivatives:								
- interest rate swaps	396	7,115	3	117	11,073	3,738	(696)	(461)
Total interest rate derivatives	1,264	7,998	40	163	11,073	3,738	(696)	(461)

The notional amount of derivatives classified as hedging instruments at December 31, 2016 came to €12,337 million, with a corresponding negative fair value of €656 million. The notional amount rose by €601 million. More specifically, interest rate swaps with a total value of €110 million expired, while new derivatives amounted to €954 million, of which €900 million associated with the pre-hedge strategy implemented

in 2015 for the future refinancing of bond issues maturing between 2019 and 2020, in order to fix the cost of future funding in advance. The value also reflected the reduction in the notional amount of amortizing interest rate swaps.

The deterioration in the fair value of €358 million mainly reflects the general decline in the yield curve during the year.

### Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on interest rate risk.

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
<b>Cash flow hedge derivatives on interest rates:</b>							
- positive fair value	3	(2)	1	2	2	1	-
- negative fair value	(696)	(91)	(100)	(115)	(121)	(106)	(202)

The following table shows the impact of reserves from cash flow hedge derivatives on interest rate risk on equity during the period, gross of tax effects.

Millions of euro

<b>Opening balance at January 1, 2015</b>	<b>(641)</b>
Changes in fair value recognized in equity (OCI)	13
Changes in fair value recognized in profit or loss	186
<b>Closing balance at December 31, 2015</b>	<b>(442)</b>
<b>Opening balance at January 1, 2016</b>	<b>(442)</b>
Changes in fair value recognized in equity (OCI)	(361)
Changes in fair value recognized in profit or loss	35
<b>Closing balance at December 31, 2016</b>	<b>(768)</b>

## Exchange risk

The following table shows the notional amount and the fair value of the hedging instruments on the exchange risk of transactions outstanding as at December 31, 2016 and December 31, 2015, broken down by type of hedged item.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
		at Dec. 31, 2016		at Dec. 31, 2015 restated	
Hedging instrument	Hedged asset				
Cross currency interest rate swaps (CCIRSs)	Fixed-rate borrowings	148	13,988	1,170	15,078
Cross currency interest rate swaps (CCIRSs)	Floating-rate borrowings	(16)	650	25	401
Cross currency interest rate swaps (CCIRSs)	Future cash flows denominated in foreign currencies	(69)	335	(102)	306
Currency forwards	Future commodity purchases denominated in foreign currencies	120	2,091	244	3,058
Currency forwards	Future cash flows denominated in foreign currencies	1	38	(1)	59
Currency forwards	Purchases of investment goods	(57)	772	5	237
<b>Total</b>		<b>127</b>	<b>17,874</b>	<b>1,341</b>	<b>19,139</b>

Cash flow hedges and fair value hedges include:

- > CCIRSs with a notional amount of €13,988 million used to hedge the exchange risk on fixed-rate debt denominated in currencies other than the euro, with a positive fair value of €148 million;
- > CCIRSs with a notional amount of €985 million used to hedge the exchange risk on floating-rate debt denominated in currencies other than the euro, with a negative fair value of €85 million;
- > currency forwards with a notional amount of €2,129 million used to hedge the exchange risk associated with

purchases of natural gas, purchases of fuel and expected cash flows in currencies other than the euro, with a fair value of €121 million;

- > currency forwards with a notional amount of €772 million and a negative fair value of €57 million in respect of OTC transactions to mitigate the exchange risk on expected cash flows in currencies other than the currency of account connected with the purchase of investment goods in the renewables and infrastructure and networks sectors (new generation digital meters).

The following table reports the notional amount and fair value of foreign exchange derivatives at December 31, 2016 and December 31, 2015, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
<b>Fair value hedge derivatives:</b>								
- currency forwards	-	-	-	-	7	-	(1)	-
- CCIRSs	-	-	-	-	106	-	(15)	-
<b>Cash flow hedge derivatives:</b>								
- currency forwards	2,521	2,927	141	256	373	427	(76)	(8)
- CCIRSs	9,097	13,548	1,854	2,187	5,770	2,237	(1,776)	(1,094)
<b>Total exchange derivatives</b>	<b>11,618</b>	<b>16,475</b>	<b>1,995</b>	<b>2,443</b>	<b>6,256</b>	<b>2,664</b>	<b>(1,868)</b>	<b>(1,102)</b>

The notional amount of CCIRSs at December 31, 2016 amounted to €14,973 million (€15,785 million at December 31, 2015), a decrease of €812 million. Cross currency interest rate swaps with a total value of €181 million expired, while new derivatives amounted to €274 million. The value also reflects developments in the exchange rate of the euro against the main other currencies, which caused their notional amount to increase by €719 million.

The notional value of currency forwards at December 31, 2016 amounted to €2,894 million (€3,354 million at December 31, 2015), a decrease of €460 million. The exposure to exchange risk, especially that associated with the US dollar, is mainly due to purchases of natural gas and purchase of fuel. Changes in the notional amount are connected with normal developments in operations.

#### Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on exchange risk.

Millions of euro	Fair value		Distribution of expected cash flows				
	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
<b>Cash flow hedge derivatives on exchange rates:</b>							
- positive fair value	1,995	657	221	689	117	106	2,120
- negative fair value	(1,852)	(205)	(111)	(333)	(52)	(65)	(727)

The following table shows the impact of reserves from cash flow hedge derivatives on exchange risk on equity during the period, gross of tax effects.

Milioni di euro	
<b>Opening balance at January 1, 2015</b>	<b>(1,109)</b>
Changes in fair value recognized in equity (OCI)	753
Changes in fair value recognized in profit or loss	(258)
<b>Closing balance at December 31, 2015</b>	<b>(614)</b>
<b>Opening balance at January 1, 2016</b>	<b>(614)</b>
Changes in fair value recognized in equity (OCI)	(422)
Changes in fair value recognized in profit or loss	(230)
Changes in fair value recognized in profit or loss - ineffective portion	2
<b>Closing balance at December 31, 2016</b>	<b>(1,264)</b>

## Commodity risk

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015	at Dec. 31, 2016	at Dec. 31, 2015
<b>Fair value hedge derivatives</b>								
<b>Derivatives on power:</b>								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	-	-	-	-	4	-	-	-
- options	-	-	-	-	-	-	-	-
<b>Total derivatives on power</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flow hedge derivatives</b>								
<b>Derivatives on power:</b>								
- swaps	21	79	5	10	4	86	-	(4)
- forwards/futures	87	59	10	3	590	175	(66)	(51)
- options	-	-	-	-	-	-	-	-
<b>Total derivatives on power</b>	<b>108</b>	<b>138</b>	<b>15</b>	<b>13</b>	<b>594</b>	<b>261</b>	<b>(66)</b>	<b>(55)</b>
<b>Derivatives on coal:</b>								
- swaps	380	6	247	-	1	978	-	(182)
- forwards/futures	-	-	-	-	-	-	-	-
- options	-	-	-	-	-	-	-	-
<b>Total derivatives on coal</b>	<b>380</b>	<b>6</b>	<b>247</b>	<b>-</b>	<b>1</b>	<b>978</b>	<b>-</b>	<b>(182)</b>
<b>Derivatives on gas and oil:</b>								
- swaps	161	67	44	35	13	150	(2)	(49)
- forwards/futures	1,259	715	149	270	744	772	(180)	(402)
- options	-	-	-	-	-	-	-	-
<b>Total derivatives on gas and oil</b>	<b>1,420</b>	<b>782</b>	<b>193</b>	<b>305</b>	<b>757</b>	<b>922</b>	<b>(182)</b>	<b>(451)</b>
<b>Derivatives on CO<sub>2</sub>:</b>								
- swaps	-	-	-	-	-	-	-	-
- forwards/futures	60	204	16	13	96	54	(4)	(1)
- options	-	-	-	-	-	-	-	-
<b>Total derivatives on CO<sub>2</sub></b>	<b>60</b>	<b>204</b>	<b>16</b>	<b>13</b>	<b>96</b>	<b>54</b>	<b>(4)</b>	<b>(1)</b>
<b>TOTAL DERIVATIVES ON COMMODITIES</b>	<b>1,968</b>	<b>1,130</b>	<b>471</b>	<b>331</b>	<b>1,452</b>	<b>2,215</b>	<b>(252)</b>	<b>(689)</b>

The table reports the notional amount and fair value of derivatives hedging the price risk on commodities at December 31, 2016 and at December 31, 2015, broken down by type of hedge. The developments in the fair value reflect the positive impact of the increase in the forward prices of fuels as of December 31, 2016 compared with those prevailing at the time the hedges were established.

The positive fair value of cash flow hedge derivatives on commodities mainly regards hedges of coal purchases requested by the generation companies in the amount of €247

million, derivatives transactions on gas and oil commodities amounting to €193 million and, marginally, derivatives on power and CO<sub>2</sub> totaling €31 million.

Cash flow hedge derivatives on commodities with a negative fair value regard derivatives on gas and oil commodities amounting to €182 million and derivatives on power and CO<sub>2</sub> amounting to €70 million. The first category primarily regards hedges of fluctuations in the price of natural gas, for both purchases and sales, carried out for oil commodities and gas products with physical delivery (all-in-one hedges).

## Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on commodity risk.

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2016	2017	2018	2019	2020	2021	Beyond
<b>Cash flow hedge derivatives on commodities:</b>							
- positive fair value	471	453	4	9	5	-	-
- negative fair value	(252)	(216)	(36)	-	-	-	-

The following table shows the impact of reserves from cash flow hedge derivatives on commodity risk on equity during the period, gross of tax effects.

Millions of euro	
<b>Opening balance at January 1, 2015</b>	<b>(248)</b>
Changes in fair value recognized in equity (OCI)	(649)
Changes in fair value recognized in profit or loss	275
<b>Closing balance at December 31, 2015</b>	<b>(622)</b>
<b>Opening balance at January 1, 2016</b>	<b>(622)</b>
Changes in fair value recognized in equity (OCI)	137
Changes in fair value recognized in profit or loss	830
<b>Closing balance at December 31, 2016</b>	<b>345</b>



## 44.2 Derivatives at fair value through profit or loss

The following table shows the notional amount and the fair value of derivatives at FVTPL as at December 31, 2016 and December 31, 2015.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2016	at Dec. 31, 2015 restated	at Dec. 31, 2016	at Dec. 31, 2015 restated	at Dec. 31, 2016	at Dec. 31, 2015 restated	at Dec. 31, 2016	at Dec. 31, 2015 restated
<b>Derivatives at FVTPL</b>								
<b>Derivatives on interest rates:</b>								
- interest rate swaps	50	50	3	2	157	157	(79)	(75)
- interest rate options	-	-	-	-	50	50	(7)	(6)
<b>Derivatives on exchange rates:</b>								
- currency forwards	3,366	2,166	77	68	3,670	3,335	(67)	(61)
- CCIRs	-	-	-	-	-	28	-	-
<b>Derivatives on commodities</b>								
<b>Derivatives on power:</b>								
- swaps	1,105	796	163	73	1,169	714	(172)	(60)
- forwards/futures	5,820	5,994	1,005	421	5,705	5,879	(1,033)	(398)
- options	16	7	14	-	23	14	(9)	-
<b>Total derivatives on power</b>	<b>6,941</b>	<b>6,797</b>	<b>1,182</b>	<b>494</b>	<b>6,897</b>	<b>6,607</b>	<b>(1,214)</b>	<b>(458)</b>
<b>Derivatives on coal:</b>								
- swaps	1,077	881	387	246	1,069	930	(409)	(291)
- forwards/futures	103	76	15	14	93	24	(2)	(10)
- options	-	-	-	-	1	2	(1)	(7)
<b>Total derivatives on coal</b>	<b>1,180</b>	<b>957</b>	<b>402</b>	<b>260</b>	<b>1,163</b>	<b>956</b>	<b>(412)</b>	<b>(308)</b>
<b>Derivatives on gas and oil:</b>								
- swaps	616	531	205	1,538	572	675	(109)	(1,592)
- forwards/futures	6,591	7,958	941	1,860	6,648	8,555	(853)	(1,975)
- options	125	133	177	236	143	184	(245)	(288)
<b>Total derivatives on gas and oil</b>	<b>7,332</b>	<b>8,622</b>	<b>1,323</b>	<b>3,634</b>	<b>7,363</b>	<b>9,414</b>	<b>(1,207)</b>	<b>(3,855)</b>
<b>Derivatives on CO<sub>2</sub>:</b>								
- swaps	-	-	-	-	6	11	(3)	(5)
- forwards/futures	155	165	61	21	243	161	(49)	(7)
- options	-	-	-	-	-	-	-	-
<b>Total derivatives on CO<sub>2</sub></b>	<b>155</b>	<b>165</b>	<b>61</b>	<b>21</b>	<b>249</b>	<b>172</b>	<b>(52)</b>	<b>(12)</b>
Embedded derivatives	-	-	-	-	-	-	-	-
<b>TOTAL DERIVATIVES</b>	<b>19,024</b>	<b>18,757</b>	<b>3,048</b>	<b>4,479</b>	<b>19,549</b>	<b>20,719</b>	<b>(3,038)</b>	<b>(4,775)</b>

At December 31, 2016 the notional amount of trading derivatives on interest rates came to €257 million. The fair value of a negative €83 million deteriorated by €4 million on the previous year, mainly due to the general decline in the yield curve.

At December 31, 2016, the notional amount of derivatives on exchange rates was €7,036 million. The increase in their notional value and the associated net fair value of €3 million mainly reflected normal operations and developments in exchange rates.

At December 31, 2016, the notional amount of derivatives on commodities came to €31,280 million. The figures for 2015 have been restated to enable comparison with those for 2016 following the adoption of new classification criteria with regard to vessel leasing (now included in derivatives on coal) and structured products. The fair value of trading derivatives on commodities classified as assets mainly reflects the market valuation of hedges of gas and oil amounting to €1,323 million and derivatives on power amounting to €1,182 million.

The fair value of trading derivatives on commodities classified as liabilities mainly regards hedges of gas and oil amounting to €1,207 million and derivatives on power amounting to €1,214 million.

These values include transactions that, although established for hedging purposes, did not meet the requirements for hedge accounting.

## 45. Assets measured at fair value

The Group determines fair value in accordance with IFRS 13 whenever such measurement is required by the international accounting standards as a recognition or measurement criterion. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).

The best proxy of fair value is market price, i.e. the current publicly available price actually used on a liquid and active market.

The fair value of assets and liabilities is classified in accordance with the three-level hierarchy described below, depending on the inputs and valuation techniques used in determining their fair value:

- > Level 1, where the fair value is determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- > Level 2, where the fair value is determined on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices);

- > Level 3, where the fair value is determined on the basis of unobservable inputs.

This note also provides detailed disclosures concerning the valuation techniques and inputs used to perform these measurements.

To that end:

- > recurring fair value measurements of assets or liabilities are those required or permitted by the IFRS in the balance sheet at the close of each period;
- > non-recurring fair value measurements are those required or permitted by the IFRS in the balance sheet in particular circumstances.

For general information or specific disclosures on the accounting treatment of these circumstances, please see note 2 "Accounting policies and measurement criteria".

The following table shows, for each class of assets measured at fair value on a recurring or non-recurring basis in the financial statements, the fair value measurement at the end of the reporting period and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro	Notes	Fair value	Non-current assets			Fair value	Current assets		
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Equity investments in other companies measured at fair value	24	<b>146</b>	142	-	4	-	-	-	-
Service concession arrangements	24	<b>1,022</b>	-	1,022	-	-	-	-	-
Securities available for sale	24.1 and 28.1	<b>440</b>	440	-	-	<b>35</b>	35	-	-
Securities held for trading and financial investments in funds or portfolio management products	28.1 and 30	-	-	-	-	<b>73</b>	11	62	-
<b>Cash flow hedge derivatives:</b>									
- on interest rates	44	<b>3</b>	-	3	-	-	-	-	-
- on exchange rates	44	<b>1,531</b>	-	1,531	-	<b>464</b>	-	464	-
- on commodities	44	<b>18</b>	14	4	-	<b>453</b>	235	218	-
<b>Fair value hedge derivatives:</b>									
- on interest rates	44	<b>36</b>	-	36	-	<b>1</b>	-	1	-
<b>Trading derivatives:</b>									
- on interest rates	44	<b>3</b>	-	3	-	-	-	-	-
- on exchange rates	44	<b>7</b>	-	7	-	<b>70</b>	-	70	-
- on commodities	44	<b>11</b>	3	8	-	<b>2,957</b>	1,403	1,554	-
Inventories measured at fair value	26	-	-	-	-	<b>14</b>	14	-	-
Assets classified as held for sale	31	-	-	-	-	<b>11</b>	-	-	11

The fair value of “equity investments in other companies measured at fair value” is determined for listed companies on the basis of the quoted price set on the closing date of the year, while that for unlisted companies is based on a reliable valuation of the relevant assets and liabilities.

“Service concession arrangements” concern electricity distribution operations in Brazil by Ampla and Coelce and are accounted for in accordance with IFRIC 12. Fair value was estimated as the net replacement cost based on the most recent rate information available and on the general price index for the Brazilian market.

The fair value of derivative contracts is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on a regulated market is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates, volatility), discounting expected future cash flows on the basis of the market yield curve and translating amounts in currencies other than the euro using exchange rates provided by the European Central Bank. For contracts involving commodities, the measurement is conducted using prices, where available, for the same instruments on both regulated and unregulated markets.

In accordance with the new international accounting standards, in 2013 the Group included a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk. More specifically, the Group measures CVA/DVA using a Potential Future Exposure valuation technique for the net exposure of the position and subsequently allocating the adjustment to the individual financial instruments that make up the overall portfolio. All of the inputs used in this technique are observable on the market.

The notional amount of a derivative contract is the amount on which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted into euros at the year-end exchange rates provided by the European Central Bank.

The notional amounts of derivatives reported here do not necessarily represent amounts exchanged between the parties and therefore are not a measure of the Group’s credit risk exposure. For listed debt instruments, the fair value is given by official prices. For unlisted instruments the fair value is determined using appropriate valuation techniques for each category of financial instrument and market data at the closing date of the year, including the credit spreads of Enel SpA.

## 45.1 Fair value of other assets

For each class of assets not measured at fair value on a recurring basis but whose fair value must be reported, the following table reports the fair value at the end of the period

and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro	Notes	Fair value	Non-current assets			Fair value	Current assets		
			Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Investment property	18	<b>137</b>	-	-	137	-	-	-	-
Equity investments in other companies	24	<b>8</b>	-	-	8	-	-	-	-
Inventories	26	-	-	-	-	<b>65</b>	-	-	65

The table reports investment property, equity investments in other companies and inventories measured at cost, whose fair value has been estimated at €137 million and €8 million respectively. The amounts were calculated with the assistance of appraisals conducted by independent experts, who used different methods depending on the specific assets involved.

The value of equity investments classified in Level 3 increased by €1 million compared with 2015 and regards a number of equity investments of Endesa.

The value of inventories largely regards property not used in operations.

## 46. Liabilities measured at fair value

The following table reports for each class of liabilities measured at fair value on a recurring or non-recurring basis in the financial statements the fair value measurement at the end

of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro		Non-current liabilities				Current liabilities			
	Notes	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
<b>Cash flow hedge derivatives:</b>									
- on interest rates	44	695	-	695	-	1	-	1	-
- on exchange rates	44	1,764	-	1,764	-	88	-	88	-
- on commodities	44	36	9	27	-	216	51	165	-
<b>Fair value hedge derivatives:</b>									
- on interest rates	44	-	-	-	-	-	-	-	-
- on exchange rates	44	15	-	15	-	1	-	1	-
- on commodities	44	-	-	-	-	-	-	-	-
<b>Trading derivatives:</b>									
- on interest rates	44	13	-	13	-	73	-	73	-
- on exchange rates	44	5	-	5	-	62	-	62	-
- on commodities	44	4	-	4	-	2,881	1,173	1,708	-
Contingent consideration	40	9	-	9	-	85	-	-	85
Payables for put options granted to minority shareholders	40	-	-	-	-	403	-	-	403
Liabilities included in disposal groups classified as held for sale	31	-	-	-	-	-	-	-	-

Contingent consideration regards a number of equity investments held by the Group in North America, whose fair value was determined on the basis of the contractual terms and conditions.

The item "payables for put options granted to minority shareholders" includes the liability for the options on Enel Distributie Muntenia and Enel Energie Muntenia, determined on the basis of the exercise conditions.

### 46.1 Fair value of other liabilities

For each class of liabilities not measured at fair value in the balance sheet but whose fair value must be reported, the following table reports the fair value at the end of the period

and the level in the fair value hierarchy into which the fair value measurements of those liabilities are classified.

Millions of euro					
	Notes	Fair value	Level 1	Level 2	Level 3
<b>Bonds:</b>					
- fixed rate	41.3.1	36,572	33,885	2,687	-
- floating rate	41.3.1	4,805	791	4,014	-
<b>Bank borrowings:</b>					
- fixed rate	41.3.1	1,372	-	1,372	-
- floating rate	41.3.1	7,202	-	7,202	-
<b>Non-bank borrowings:</b>					
- fixed rate	41.3.1	1,565	-	1,565	-
- floating rate	41.3.1	138	-	138	-
<b>Total</b>		<b>51,654</b>	<b>34,676</b>	<b>16,978</b>	<b>-</b>

## 47. Related parties

As an operator in the field of generation, distribution, transport and sale of electricity and the sale of natural gas, Enel carries out transactions with a number of companies directly

or indirectly controlled by the Italian State, the Group's controlling shareholder.

The table below summarizes the main types of transactions carried out with such counterparties.

Related party	Relationship	Nature of main transactions
Acquirente Unico - Single Buyer	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Purchase of electricity for the enhanced protection market
Cassa Depositi e Prestiti Group	Directly controlled by the Ministry for the Economy and Finance	Sale of electricity on the Ancillary Services Market (Terna) Sale of electricity transport services (Eni Group) Purchase of transport, dispatching and metering services (Terna) Purchase of postal services (Poste Italiane) Purchase of fuels for generation plants and natural gas storage and distribution services (Eni Group)
GSE - Energy Services Operator	Fully controlled (directly) by the Ministry for the Economy and Finance	Sale of subsidized electricity Payment of A3 component for renewable resource incentives
GME - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange (GME) Purchase of electricity on the Power Exchange for pumping and plant planning (GME)
Leonardo Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods

In addition, the Group conducts essentially commercial transactions with associated companies or companies in which it holds minority interests.

Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as Fondazione Enel and Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance.

All transactions with related parties were carried out on normal market terms and conditions, which in some cases are determined by the Authority for Electricity, Gas and the Water System.

The following tables summarize transactions with related parties, associated companies and joint arrangements

outstanding at December 31, 2016 and December 31, 2015 and carried out during the period.

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
<b>Income statement</b>						
Revenue from sales and services	46	1,486	2,190	468	90	-
Other revenue and income	-	1	1	4	3	-
Other financial income	-	-	17	-	-	-
Purchases of electricity, gas and fuel	3,169	1,769	1,319	2	-	-
Costs for services and other materials	-	75	2,259	4	139	-
Other operating expenses	3	309	-	-	-	-
Net income/(expense) from commodity risk management	-	-	5	-	-	-
Other financial expense	-	-	12	1	-	-

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
<b>Balance sheet</b>						
Trade receivables	8	301	477	27	57	-
Other current financial assets	-	-	-	9	-	-
Other current assets	-	-	15	92	1	-
Derivative assets	-	-	-	-	-	-
Other non-current liabilities	-	-	-	-	6	-
Long-term borrowings	-	-	1,072	-	-	-
Trade payables	638	372	490	1,239	18	-
Other current liabilities	-	-	3	-	21	-
Current derivative liabilities	-	-	-	-	-	-
Current portion of long-term borrowings	-	-	89	-	-	-
<b>Other information</b>						
Guarantees issued	-	280	262	-	80	-
Guarantees received	-	-	261	-	32	-
Commitments	-	-	72	-	9	-

<b>Total 2016</b>	<b>Associates and joint arrangements</b>	<b>Overall total 2016</b>	<b>Total in financial statements</b>	<b>% of total</b>
4,280	270	4,550	68,604	6.6%
9	11	20	1,988	1.0%
17	4	21	2,289	0.9%
6,259	344	6,603	32,039	20.6%
2,477	100	2,577	17,393	14.8%
312	-	312	2,783	11.2%
5	24	29	(133)	-21.8%
13	26	39	4,339	0.9%

<b>Total at Dec. 31, 2016</b>	<b>Associates and joint arrangements</b>	<b>Overall total at Dec. 31, 2016</b>	<b>Total in financial statements</b>	<b>% of total</b>
870	88	958	13,506	7.1%
9	126	135	3,053	4.4%
108	1	109	3,044	3.6%
-	18	18	3,945	0.5%
6	17	23	1,856	1.2%
1,072	-	1,072	41,336	2.6%
2,757	164	2,921	12,688	23.0%
24	4	28	12,141	0.2%
-	11	11	3,322	0.3%
89	-	89	4,384	2.0%
622	-	622		
293	-	293		
81	-	81		

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
<b>Income statement</b>						
Revenue from sales and services	-	2,468	2,730	195	115	-
Other revenue and income	-	-	5	290	16	-
Other financial income	-	-	-	-	-	-
Purchases of electricity, gas and fuel	3,695	1,553	1,600	3	26	-
Costs for services and other materials	1	91	2,169	11	60	-
Other operating expenses	3	-	48	-	3	-
Net income/(expense) from commodity risk management	-	-	(24)	-	-	-
Other financial expense	-	-	-	-	-	-

Millions of euro	Acquirente Unico	GME	Cassa Depositi e Prestiti Group	GSE	Other	Key management personnel
<b>Balance sheet</b>						
Trade receivables	-	217	594	68	15	-
Other current financial assets	-	-	-	-	-	-
Other current assets	-	4	30	69	2	-
Other non-current liabilities	-	-	-	-	4	-
Long-term borrowings	-	-	1,161	-	-	-
Trade payables	620	373	598	1,256	27	-
Other current liabilities	-	-	9	-	4	-
Current portion of long-term borrowings	-	-	89	-	-	-
<b>Other information</b>						
Guarantees issued	-	280	253	-	1	-
Guarantees received	-	-	158	-	27	-
Commitments	-	-	23	-	14	-

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at <http://www.enel.com/en/investors/a201608-transactions-with-related-parties.html>) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in imple-

mentation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In 2016, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution 17221 of March 12, 2010, as amended with Resolution 17389 of June 23, 2010.



<b>Total 2015</b>	<b>Associates and joint arrangements</b>	<b>Overall total 2015</b>	<b>Total in financial statements</b>	<b>% of total</b>
5,508	75	5,583	73,076	7.6%
311	3	314	2,582	12.2%
-	15	15	1,563	1.0%
6,877	212	7,089	37,644	18.8%
2,332	99	2,431	16,457	14.8%
54	-	54	2,654	2.0%
(24)	-	(24)	168	-14.3%
-	29	29	4,969	0.6%

<b>Total at Dec. 31, 2015</b>	<b>Associates and joint arrangements</b>	<b>Overall total at Dec. 31, 2015</b>	<b>Total in financial statements</b>	<b>% of total</b>
894	43	937	12,797	7.3%
-	2	2	2,381	0.1%
105	30	135	2,898	4.7%
4	-	4	1,549	0.3%
1,161	-	1,161	44,872	2.6%
2,874	37	2,911	11,775	24.7%
13	1	14	11,222	0.1%
89	-	89	5,733	1.6%
534	-	534		
185	-	185		
37	-	37		

## 48. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

Millions of euro

	at Dec. 31, 2016	at Dec. 31, 2015	Change
<b>Guarantees given:</b>			
- sureties and other guarantees granted to third parties	8,123	6,701	1,422
<b>Commitments to suppliers for:</b>			
- electricity purchases	63,407	48,733	14,674
- fuel purchases	47,305	64,114	(16,809)
- various supplies	1,309	1,725	(416)
- tenders	1,846	1,905	(59)
- other	3,751	2,895	856
<b>Total</b>	<b>117,618</b>	<b>119,372</b>	<b>(1,754)</b>
<b>TOTAL</b>	<b>125,741</b>	<b>126,073</b>	<b>(332)</b>

For more details on the expiry of commitments and guarantees, please see the section "Commitments to purchase commodities" in note 42.

## 49. Contingent liabilities and assets

The following reports the main contingent assets and liabilities at December 31, 2016, which are not recognized in the

### Porto Tolle thermal plant - Air pollution - Criminal proceedings against Enel directors and employees

The Court of Adria, in a ruling issued on March 31, 2006, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and public authorities. Damages for a number of mainly private parties (individuals and environmental associations), were set at the amount of €367,000. The calculation of the amount of damages owed to certain public entities (Ministry for the Environment, a number of public entities of Veneto and Emilia Romagna, including the area's park agencies) was postponed to a later civil trial, although a "provisional award" of about €2.5 million was immediately due.

An appeal was lodged against the ruling of the Court of Adria and on March 12, 2009, the Court of Appeal of Venice partially reversed the lower court decision. It found that the former directors had not committed a crime and that there was no environmental damage and therefore ordered recovery of the provisional award already paid. The prosecutors and the civil claimants lodged an appeal against the ruling with the Court of Cassation. In a ruling on January 11, 2011, the Court of Cassation granted the appeal, overturning the decision of the Venice Court of Appeal, and referred the case to the civil section of the Venice Court of Appeal to rule as regards payment of damages and the division of such damages among the accused. As regards amounts paid to a number of public entities in Veneto, Enel has already made payment under a settlement agreement reached in 2008. With a suit lodged in July 2011, the Ministry for the Environment, the public entities of Emilia Romagna and the private actors who had already participated as injured parties in the criminal case asked the Venice Court of Appeal to order Enel SpA and Enel Produzione to pay civil damages for harm caused by the emissions from the Porto Tolle power

financial statements as they do not meet the requirements provided for in IAS 37.

station. The amount of damages requested for economic and environmental losses was about €100 million, which Enel contested. During 2013, an agreement was reached – with no admission of liability by Enel/Enel Produzione – with the public entities of Emilia Romagna to express social solidarity in line with the general sustainability policies of the Group. The suits with the Ministry and private parties (environmental associations and a number of resident individuals, who have received no payments from Enel during the proceedings) remain open. On July 10, 2014, the decision of the Venice Court of Appeal was filed ordering the defendants, jointly with Enel/Enel Produzione, to pay damages in the amount of €312,500, plus more than €55,000 in legal expenses. The Ministry's request for calculation of the amount of damages it claimed it was owed was deemed inadmissible, as grounds for barring such action arose in the course of the criminal proceedings. In the meantime the Court issued a general conviction with damages to be awarded in a separate decision and ordered payment of legal costs. Enel lodged an appeal with the Court of Cassation in February 2015 of the ruling of the Venice Court of Appeal of July 10, 2014 and is currently waiting for the date of the hearing to be set.

In August 2011, the Public Prosecutor's Office of Rovigo asked that a number of directors, former directors, officers, former officers and employees of Enel and Enel Produzione be remanded for trial on the charge of willful omission to take precautionary actions to prevent a disaster in respect of the alleged emissions from the Porto Tolle plant. Subsequently, the public prosecutor filed charges of willfully causing a disaster. During 2012, the pre-trial hearing judge of Rovigo, granting the request of the Public Prosecutor's Office of Rovigo, ordered the committal for trial of all of the accused for both offences. The Ministry for the Environment, the Ministry of Health and other actors, mainly local authorities in Emilia Romagna and Veneto, as well as the park agencies of the area, joined the case as injured parties, seeking unspecified damages from the above individuals, without citing Enel or Enel Produzione as liable parties. Evidence was submitted during 2013. During the year, as part of the agreement mentioned earlier, most of the public entities withdrew their suits.

At the hearing of March 31, 2014, the Court sitting en banc

issued its ruling of first instance, acquitting all of the accused of the charge of willful omission to take precautionary safety measures. The Court also acquitted all of the accused of the charge of willfully causing a disaster, with the exception of the two former Chief Executive Officers of Enel SpA (although the Court did not grant the request for recognition of aggravating circumstances as provided for when the disaster actually occurs). The former Chief Executive Officers were then ordered to pay unspecified damages in a separate civil action, with a total provisional ruling of €410,000 and payment of court costs for the remaining civil parties to the action. The Court's full ruling was filed at the end of September 2014. The decision was appealed by the two former Chief Executive Officers and by the public prosecutor at the start of November 2014. Further appeals were later filed by (i) the Chief Executive Officer in office until 2014, despite having been acquitted, in order to obtain the denial of the grounds for appeal of the prosecutor and a broader acquittal than that obtained in the first trial; (ii) two local authorities that had not initially participated; (iii) the two Ministries (Environment and Health) and (iv) the Italia Nostra association.

The appellate level of the proceeding before the Court of Appeals of Venice was completed on January 18, 2017 with the acquittal of all defendants on the grounds that "no crime was committed".

## Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

A criminal proceeding was held before the Court of Brindisi concerning the Brindisi Sud thermal plant. A number of employees of Enel Produzione – in 2013 cited as a liable party in civil litigation – have been accused of causing criminal damage and dumping of hazardous substances with regard to the alleged contamination of land adjacent to the plant with coal dust as a result of actions between 1999 and 2011. At the end of 2013, the accusations were extended to cover 2012 and 2013. As part of the proceeding, injured parties, including the Province and City of Brindisi, have submitted claims for total damages of about €1.4 billion. In its decision of October 26, 2016, the Court of Brindisi: (i) acquitted nine of the thirteen defendants (employees/managers of Enel Produzione) for not having committed the offense; (ii) ruled

that it did not have to proceed as the offense was time-barred for two of the defendants; (and iii) convicted the remaining two defendants, sentencing them with all the allowances provided for by law to nine months' imprisonment. With regard to payment of damages, the Court's ruling also: (i) denied all claims of public parties and associations acting in the criminal proceeding to recover damages; and (ii) granted most of the claims filed by the private parties acting to recover damages, referring the latter to the civil courts for quantification without granting a provisional award.

Criminal proceedings were held before the Courts of Reggio Calabria and Vibo Valentia against a number of employees of Enel Produzione for the offense of illegal waste disposal in connection with alleged violations concerning the disposal of waste from the Brindisi plant. Enel Produzione has not been cited as a liable party for civil damages.

The criminal proceedings before the Court of Reggio Calabria ended with the hearing of June 23, 2016. The court acquitted nearly all of the Enel defendants of the main charges because no crime was committed. Just one case was dismissed under the statute of limitations. Similarly, all of the remaining charges involving minor offenses were dismissed under the statute of limitations. The proceedings before the Court of Vibo Valentia were adjourned to May 4, 2017, in order to hear the testimony of the final witnesses called by the other defendants.

## Out-of-court disputes and litigation connected with the blackout of September 28, 2003

In the wake of the blackout that occurred on September 28, 2003, numerous claims were filed against Enel Distribuzione for automatic and other indemnities for losses. These claims gave rise to substantial litigation before justices of the peace, mainly in the regions of Calabria, Campania and Basilicata, with a total of some 120,000 proceedings. Charges in respect of such indemnities could be recovered in part under existing insurance policies. Most of the initial rulings by these judges found in favor of the plaintiffs, while appellate courts have nearly all found in favor of Enel Distribuzione. The Court of Cassation has also consistently ruled in favor of Enel Distribuzione. At December 31, 2016 pending cases numbered about 15,000 as a result of additional appeals filed. In addition, in view of the rulings in Enel's favor by both the courts

of appeal and the Court of Cassation, the flow of new claims has come to a halt. Beginning in 2012, a number of actions for recovery were initiated, which continue, to obtain repayment of amounts paid by Enel in execution of the rulings in the courts of first instance.

In May 2008, Enel served its insurance company (Cattolica) a summons to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings. The case also involved a number of reinsurance companies in the proceedings, which have challenged Enel's claim. In a ruling of October 21, 2013, the Court of Rome granted Enel's petition, finding the insurance coverage to be valid and ordering Cattolica, and consequently the reinsurance companies, to hold Enel harmless in respect of amounts paid or to be paid to users and their legal counsel as well as, within the limits established by the policies, to pay defense costs.

Subsequently, Cattolica appealed the ruling of the court of first instance of October 21, 2013, before the Rome Court of Appeal, asking that it be overturned. The suit was adjourned until February 23, 2018 for final pleadings.

On the basis of the ruling of October 21, 2013, in October 2014, Enel filed suit against Cattolica with the Court of Rome to obtain a quantification of the amounts due to Enel and payment of those amounts by Cattolica. At the hearing of October 3, 2016, the court denied the counterparties' petition for a suspension of the proceeding pending completion of the appeals process, granting time for the filing of briefs and adjourning the case for the examination of motions to July 4, 2017.

## BEG litigation

Following an arbitration proceeding initiated by BEG SpA in Italy, Enelpower obtained a ruling in its favor in 2002, which was upheld by the Court of Cassation in 2010, which entirely rejected the complaint with regard to alleged breach by Enelpower of an agreement concerning the construction of a hydroelectric power station in Albania. Subsequently, BEG, acting through its subsidiary Albania BEG Ambient Shpk, filed suit against Enelpower and Enel SpA in Albania concerning the matter, obtaining a ruling from the District Court of Tirana, upheld by the Albanian Court of Cassation, ordering Enelpower and Enel to pay tortious damages of about €25 million for 2004 as well as an unspecified amount of tortious damages for subsequent years. Following the ruling, Albania BEG Ambient demanded payment of more than €430 million from Enel.

The European Court of Human Rights, with which Enelpower SpA and Enel SpA had filed an appeal for violation of the right to a fair trial and the rule of law by the Republic of Albania, rejected the petition as inadmissible. The ruling was purely procedural and did not address the substance of the suit.

With a ruling of June 16, 2015, the first level was completed in the additional suit lodged by Enelpower SpA and Enel SpA with the Court of Rome asking the Court to ascertain the liability of BEG SpA for having evaded compliance with the arbitration ruling issued in Italy in favor of Enelpower SpA through the legal action taken by Albania BEG Ambient Shpk. With this action, Enelpower SpA and Enel SpA asked the Court to find BEG SpA liable and order it to pay damages in the amount that the other could be required to pay to Albania BEG Ambient Shpk in the event of the enforcement of the sentence issued by the Albanian courts. With the ruling, the Court of Rome found that BEG SpA did not have standing to be sued, or alternatively, that the request was not admissible for lack of an interest for Enel SpA and Enelpower SpA to sue, as the Albanian ruling had not yet been declared enforceable in any court. The Court ordered the setting off of court costs. Enel SpA and Enelpower SpA appealed the ruling before the Rome Court of Appeal, asking that it be overturned in full. The next hearing is scheduled for November 14, 2018.

On November 5, 2016, Enel SpA and Enelpower SpA filed a petition with the Albanian Court of Cassation, asking for the ruling issued by the District Court of Tirana on March 24, 2009 to be voided.

## Proceedings undertaken by Albania BEG Ambient Shpk to obtain enforcement of the ruling of the District Court of Tirana of March 24, 2009

### France

In February 2012, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA with the *Tribunal de Grande Instance* in Paris in order to render the ruling of the Albanian court enforceable in France. Enel SpA and Enelpower SpA challenged the suit. The proceeding is still under way.

Subsequently, again at the initiative of Albania BEG Ambient Shpk, Enel France was served with two “*Saise Conservatoire de Créances*” (orders for the precautionary attachment of receivables) to conserve any receivables of Enel SpA in respect of Enel France.

## State of New York

In March 2014, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA in New York to render the ruling of the Albanian court enforceable in the State of New York.

On April 22, 2014, in response to a motion filed by Enel and Enelpower, the court revoked the previous ruling issued with no hearing of the parties against the companies freezing assets of around \$600 million. The suit is pending and no measures, preliminary or otherwise, have been taken by the court. On April 27, 2015, Enel SpA and Enelpower SpA asked for the case to be transferred from the New York state courts to the federal courts. In a ruling of March 10, 2016, the federal court referred the case to the New York state court, where the case is proceeding. Enel SpA and Enelpower SpA appealed the decision denying the pleading that the New York state courts had no jurisdiction. The hearing was held on February 14, 2017 and a decision is pending.

## The Netherlands

On June 2, 2014 Albania BEG Ambient Shpk obtained an order from the court in the Hague, based upon the preliminary injunction, freezing up to €440 million held with a number of entities and the establishment of a lien on the shares of two subsidiaries of Enel SpA in that country. Enel SpA and Enelpower SpA challenged that ruling and on July 1, 2014, the Dutch court, in granting the petition of Enel and Enelpower, provisionally determined the value of the suit at €25 million and ordered the removal of the preliminary injunction subject to the issue of a bank guarantee in the amount of €25 million by Enel and Enelpower. Enel and Enelpower have appealed this ruling.

On July 3, 2014, Albania BEG Ambient Shpk sought to obtain a second order to freeze assets. Following the hearing of August 28, 2014, the court in the Hague granted a preliminary injunction for the amount of €425 million on September 18, 2014.

In a ruling of February 9, 2016, the Hague Court of Appeal upheld the appeals, ordering the revocation of the preliminary injunctions subject to the pledging of a guarantee by Enel of €440 million and a counter-guarantee by Albania BEG

Ambient Shpk of about €50 million (the estimated value of the losses of Enel and Enelpower from the seizure of assets and the pledge of bank guarantees). Enel's guarantee was issued on March 30, 2016. Albania BEG Ambient Shpk did not issue its counter-guarantee.

On April 4, 2016, Albania BEG Ambient Shpk appealed the ruling of February 9, 2016 before the Court of Cassation in the Netherlands. Enel and Enelpower filed on May 20, 2016 and are waiting for a hearing date to be set.

At the end of July 2014, Albania BEG Ambient Shpk filed suit with the Court of Amsterdam to render the ruling of the Albanian court enforceable in the Netherlands. On June 29, 2016, the court filed its judgment, which: (i) ruled that the Albanian ruling meet the requirements for recognition and enforcement in the Netherlands; (ii) ordered Enel and Enelpower to pay €433,091,870.00 to Albania BEG Ambient Shpk, in addition to costs and ancillary charges of €60,673.78; and (iii) denied Albania BEG Ambient Shpk's request to declare the ruling provisionally enforceable.

On June 29, 2016, Enel and Enelpower appealed the ruling. The appeal has full de novo effect. The Court of Appeal will re-examine the entire subject of the dispute. Accordingly, Enel and Enelpower will be able to present their defense in its entirety. On September 27, 2016, Albania BEG Ambient Shpk also appealed the court's ruling of June 29, 2016, to request the reversal of its partial loss on the merits.

The parties are waiting for the Court of Appeal of Amsterdam to rule on joining the two appeals proceedings now under way at the preliminary stage before that court.

On July 14, 2016, Albania BEG Ambient Shpk filed an appeal for a precautionary seizure on the basis of the decision of June 29, 2016 in the amount of €440 million with a number of entities and the seizure of the shares of three companies controlled by Enel SpA in the Netherlands. Enel appealed and in a ruling of August 26, 2016, the Court of Amsterdam decided that the precautionary measures issued in 2014 and 2016 would be revoked if Albania BEG Ambient Shpk did not provide a bank guarantee of €7 million to Enel and Enelpower by October 21, 2016. Albania BEG Ambient Shpk did not provide the guarantee and, accordingly, the seizures of the assets of Enel SpA and Enelpower SpA in the Netherlands were revoked and no longer effective as from October 21, 2016. Albania BEG Ambient Shpk appealed the decision of the Court of Amsterdam of August 26, 2016 but the proceeding was suspended pending the conclusion of the proceeding before the Court of Cassation involving the ruling of the Hague Court of Appeal of February 9, 2016.

## Ireland and Luxembourg

Albania BEG Ambient Shpk also filed suits in Ireland and Luxembourg to render the ruling of the Court of Tirana enforceable in those two countries. In Ireland, the court issued a ruling on March 8, 2016 upholding the defense of Enel and Enelpower, finding that the country had no jurisdiction. Approval of the ruling by the court is pending. In Luxembourg, at the initiative of Albania BEG Ambient Shpk, J.P. Morgan Bank Luxembourg SA was also served with an order for the precautionary attachment of any receivables of Enel SpA. The proceeding to obtain enforcement of the ruling of the Court of Tirana is still under way. The court has issued no ruling.

## Violations of Legislative Decree 231/2001

A case for alleged violation of Legislative Decree 231/2001 concerning the administrative liability of legal persons is pending. It involves e-distribuzione for omission of accident prevention measures. More specifically, it regards a fatal accident involving an employee of a subcontractor in Palermo in 2008, for which e-distribuzione has been charged with administrative liability for manslaughter. The trial is proceeding.

## CIEN litigation - Brazil

In 1998 the Brazilian company CIEN (now Enel CIEN) signed an agreement with Tractebel for the delivery of electricity from Argentina through its Argentina-Brazil interconnection line. As a result of Argentine regulatory changes introduced as a consequence of the economic crisis in 2002, CIEN was unable to make the electricity available to Tractebel. In October 2009, Tractebel sued CIEN, which submitted its defense. CIEN cited force majeure as a result of the Argentine crisis as the main argument in its defense. Out of court, Tractebel has indicated that it plans to acquire 30% of the interconnection line involved in the dispute. In March 2014, the court granted CIEN's motion to suspend the proceedings in view of the existence of other litigation pending between the parties. The amount involved in the dispute is estimated at about R\$118 million (about €27 million), plus unspecified damages. For analogous reasons, in May 2010 Furnas also filed suit against CIEN for failure to deliver electricity, requesting payment of about R\$520 million (about €121 million), in addition to unspecified damages. In alleging non-performance by CIEN, Furnas

is also seeking to acquire ownership (in this case 70%) of the interconnection line. CIEN's defense is similar to the earlier case. The claims put forth by Furnas were rejected by the trial court in August 2014. Furnas lodged an appeal against the latter decision, while CIEN also lodged an appeal and the proceeding is under way.

## Cibran litigation - Brazil

Companhia Brasileira de Antibióticos (Cibran) has filed a number of suits against Ampla Energia e Serviços, SA (Ampla) to obtain damages for alleged losses incurred as a result of the interruption of service by the Brazilian distribution company. The Court ordered a unified technical appraisal for those cases, the findings of which were partly unfavorable to Ampla. The latter challenged the findings, asking for a new study, which led to the denial of Cibran's petition. Cibran appealed the decision and the ruling was in favor of Ampla. On December 16, 2016, Cibran filed an appeal (*recurso especial*) before the *Superior Tribunal de Justiça*, which is now being examined for admissibility.

Only two cases have been decided so far, while decisions in the remaining proceedings are still pending. The overall amount involved in all the disputes is estimated at about R\$394 million (about €102 million).

With regard to the first case, in September 2014, the trial court issued a ruling against Ampla, levying a penalty of about R\$200,000 (about €46,000) as well as other damages to be quantified at a later stage. Ampla appealed the ruling and the *Tribunal de Justiça* ruled in its favor. Cibran appealed that decision (*recurso especial*) before the *Superior Tribunal de Justiça* and the proceeding is under way.

With regard to the second case, on June 1, 2015, the courts issued a ruling ordering Ampla to pay R\$80,000 (about €18,000) in non-pecuniary damages (less than in the first case) as well as R\$96,465,103 (about €22 million) in pecuniary damages, plus interest. On July 8, 2015 Ampla appealed the decision and the proceeding is under way.

## Coperva litigation - Brazil

As part of the project to expand the grid in rural areas of Brazil, in 1982 Companhia Energética do Ceará SA ("Coelce"), then owned by the Brazilian government and now an Enel Group company, had entered into contracts for the use of the grids of a number of cooperatives established specifical-



ly to pursue the expansion project. The contracts provided for the payment of a monthly fee by Coelce, which was also required to maintain the networks.

Those contracts, between cooperatives established in special circumstances and the then public-sector company, do not specifically identify the grids governed by the agreements, which has prompted a number of the cooperatives to sue Coelce asking for, among other things, a revision of the fees agreed in the contracts. These actions include the suit filed by Cooperativa de Eletrificação Rural do V do Aca-rau Ltda (Coperva) with a value of about R\$179 million (about €42 million). Coelce was granted rulings in its favor from the trial court and the court of appeal, but Coperva filed a further appeal (*Embargo de Declaração*), which was denied in a ruling of January 11, 2016. Coperva lodged an extraordinary appeal before the *Superior Tribunal de Justiça* on February 3, 2016. The proceedings are currently under way.

## El Quimbo - Colombia

A number of legal actions ("*acciones de grupo*" and "*acciones populares*") brought by residents and fishermen in the affected area are pending with regard to the El Quimbo project for the construction of a 400 MW hydroelectric plant in the region of Huila (Colombia). More specifically, the first *acción de grupo*, currently in the preliminary stage, was brought by around 1,140 residents of the municipality of Garzón, who claim that the construction of the plant would reduce their business revenues by 30%. A second action was brought, between August 2011 and December 2012, by residents and businesses/associations of five municipalities of Huila claiming damages related to the closing of a bridge (Paso El Colegio). With regard to *acciones populares*, or class action lawsuits, in 2008 a suit was filed by a number of residents of the area demanding, among other things, that the environmental permit be suspended. Another *acción popular* was brought by a number of fish farming companies over the alleged impact that filling the Quimbo basin would have on fishing in the Betania basin downstream from Quimbo. In February 2015, the Court ordered the precautionary suspension of filling operations until a number of specific requirements have been met.

The precautionary suspension was subsequently modified to permit filling to proceed, which began on June 30, 2015. However, on July 17, 2015 Emgesa received a notice modifying the precautionary measure to prohibit generation activities until ANLA (the national environmental authority) certifies

that the company removed the biomass and forest waste from the Quimbo reservoir basin.

Pending the ruling, as an energy emergency has been declared, the Ministry of Energy issued a decree authorizing Emgesa to begin generation. On December 16, 2015, the Constitutional Court ruled that the presidential decree was unconstitutional and as from that date Emgesa suspended electricity generation.

On December 24, 2015, the *Ministerio de Minas y Energía* and the AUNAP (the authority for agriculture and fishing) filed a joint motion asking the criminal court to authorize generation as a precautionary measure. On January 8, 2016 the court granted the precautionary measure requested by the Ministry and the AUNAP, authorizing the temporary and immediate resumption of generation at El Quimbo. The precautionary measure granted by the court would remain in force until the Huila court issued a ruling on the substance of the case, i.e. the revocation or upholding of the precautionary measure previously issued by the local administrative court. With a decision of February 22, 2016, the Huila court issued a ruling allowing generation to continue for six months. The court ordered Emgesa to prepare a technical design that would ensure compliance with oxygen level requirements and to provide collateral of about 20,000,000,000 Colombian pesos (about €5.5 million). In a ruling of the Administrative Court of Huila of April 11, 2016 the temporary revocation of the precautionary injunction was upheld for a period of six months until October 16, 2016, which was subsequently extended for a further six months as from February 2017. During this period, Emgesa will have to demonstrate that the oxygenation system it implemented will achieve the specified oxygen levels.

## Nivel de Tensión Uno proceedings - Colombia

This dispute involves an "*acción de grupo*" brought by Centro Médico de la Sabana hospital and other parties against Codensa seeking restitution of allegedly excess rates. The action is based upon the alleged failure of Codensa to apply a subsidized rate that they claim the users should have paid as *Tensión Uno* category users (voltage of less than 1 kV) and owners of infrastructure, as established in Resolution 82/2002, as amended by Resolution 97/2008. The suit is at a preliminary stage. The estimated value of the proceeding is about 337 billion Colombian pesos (about €109 million).



## SAPE (formerly Electrica) arbitration proceedings - Romania

On June 11, 2007, Enel SpA entered into a Privatization Agreement with SC Electrica SA for the privatization of Electrica Muntenia Sud ("EMS"). The accord provided for the sale to Enel of 67.5% of the Romanian company. In accordance with the unbundling rules, in September 2008 the distribution and electricity sales operations were transferred to two new companies, Enel Distribuție Muntenia ("EDM") and Enel Energie Muntenia ("EEM"). In December 2009, Enel transferred the entire capital of the two companies to Enel Investment Holding BV ("EIH").

On July 5, 2013, Electrica notified Enel SpA, EIH, EDM and EEM (limited to a number of claims) of a request for arbitration before the International Chamber of Commerce in Paris, claiming damages for alleged violations of specific clauses of the Privatization Agreement. More specifically, the plaintiff claimed payment of penalties of about €800 million, plus interest and additional unspecified damages.

On July 18, 2016, the ruling of the arbitration board unanimously rejecting SAPE's claims was notified, declaring them inadmissible or unfounded, and ordering SAPE to pay arbitration costs. On September 29, 2014, SAPE notified Enel and EIH that it had submitted a further arbitration request to the International Chamber of Commerce in Paris seeking around €500 million (plus interest) in connection with the put option contained in the Privatization Agreement. The put option gives SAPE the right to sell a 13.57% stake in e-distribuție Muntenia and Enel Energie Muntenia. In a ruling of February 3, 2017, the arbitration board set the purchase price of the shares involved in the put option at about €400 million. The board denied the request for interest, which amounted to about €60 million.

On April 20, 2016, SAPE submitted a further request for arbitration before the International Chamber of Commerce in Paris in respect of Enel SpA and EIH concerning the failure to distribute dividends (plus interest). In September 2016, SAPE modified its arbitration claims, suing Enel Energie Muntenia and e-distribuție Muntenia as well and revising its monetary claim to about €56 million. The proceeding is at the preliminary stage.

## Gabčíkovo dispute - Slovakia

Slovenské elektrárne ("SE") is involved in a number of cases before the national courts concerning the 720 MW Gabčíkovo hydroelectric plant, which is administered by Vodohospodárska Výstavba Štátny Podnik ("VV") and whose operation and maintenance, as part of the privatization of SE in 2006, had been entrusted to SE for a period of 30 years under a management agreement (the VEG Operating Agreement).

Immediately after the closing of the privatization, the Public Procurement Office (PPO) filed suit with the Court of Bratislava seeking to void the VEG Operating Agreement on the basis of alleged violations of the regulations governing public tenders, qualifying the contract as a service contract and as such governed by those regulations. In November 2011 the trial court ruled in favor of SE, whereupon the PPO immediately appealed the decision.

In parallel with the PPO action, VV also filed a number of suits, asking in particular for the voidance of the VEG Operating Agreement.

On December 12, 2014, VV withdrew unilaterally from the VEG Operating Agreement, notifying its termination on March 9, 2015, for breach of contract. On March 9, 2015, the decision of the appeals court overturned the ruling of the trial court and voided the contract as part of the action pursued by the Public Procurement Office (PPO). SE lodged an extraordinary appeal against that decision before the Supreme Court. At a hearing of June 29, 2016, the Supreme Court denied the appeal. SE then appealed the ruling to the Constitutional Court, which denied the appeal on January 18, 2017. In addition, SE lodged a request for arbitration with the Vienna International Arbitral Centre (VIAC) under the VEG Indemnity Agreement. Under that accord, which had been signed as part of the privatization between the National Property Fund (now MH Manazment) of the Slovak Republic and SE, the latter is entitled to an indemnity in the event of the early termination of the VEG Operating Agreement for reasons not attributable to SE. The arbitration court rejected the objection that it did not have jurisdiction and the arbitration proceeding continued to examine the merits of the case, with a ruling on the amount involved being deferred to any subsequent proceeding. The parties exchanged briefs and the hearing was held on February 2, 2017.

In parallel with the arbitration proceeding launched by SE, both VV and the National Property Fund (now MH Ma-

nazment) filed suits, currently pending, in the Slovakian courts to void the VEG Indemnity Agreement owing to the alleged connection of the latter with the VEG Operating Agreement. In addition, at the local level, SE was sued by VV for alleged unjustified enrichment (estimated at about €360 million plus interest) for the period from 2006 to 2015. Finally, in another proceeding before the Court of Bratislava, VV asked for SE to return the fee for the transfer from SE to VV of the technology assets of the Gabčíkovo plant as part of the privatization, with a value of about €43 million plus interest. The proceedings are at the preliminary stage and SE has asked for denial of the VV claims.

## CIS and Interporto Campano

On December 4, 2009 and August 4, 2010 Enel Green Power SpA (“EGP”) signed, with Interporto Campano (“IC”) and Centro Ingrosso Sviluppo Campania Gianni Nappi SpA (“CIS”), respectively, a leasehold agreement with a term of more than nine years and a leasehold estate for the rooftops of the industrial sheds of the CIS and Interporto Campano in order to build and operate a photovoltaic plant. On April 22, 2011, during construction of the plant, a fire broke out on one of the shed owned by CIS, where EGP’s contractor, General Membrane SpA, was installing the plant. On March 26, 2012, with the installation work completed, a second fire broke out on another of the sheds owned by CIS. These events gave rise to a series of disputes between the parties, including two arbitration proceedings. The first proceeding ended with a ruling declaring the joint negligence of CIS and EGP in causing the losses and ordering EGP to pay CIS about €2.5 million, equal to half of the damages originally admitted for indemnification. For the losses incurred by EGP, the arbitration board found that the contractor was liable and that EGP would have to take action against the latter to obtain damages (see the following note on the dispute with General Membrane). That ruling was appealed by both parties.

The second proceeding initiated in 2014 by CIS and Interporto Campano against EGP asking for the termination of the leasehold estate and the more-than-9-year lease as well as damages for alleged losses following breaches by EGP quantified in the amount of about €65 million, of which about €35 million for costs incurred in dismantling the photovoltaic plants. EGP first objected that the arbitration board did not have jurisdiction (arguing that it was impossible

for a single board to proceed with respect to two separate contracts with different obligations), asking that the plaintiffs’ claims to be denied and submitting a counterclaim against the plaintiffs for damages of about €40 million.

On January 20, 2017 EGP, CIS and IC reached an agreement to settle all claims involved in the disputes arising in relation to the fires affecting the EGP photovoltaic plant and the CIS sheds on which the plant was installed. The settlement provides for the parties to waive their reciprocal claims and reduces the lease payments to CIS and IC, as well as providing for EGP to pay CIS €2.5 million and for CIS to repay EGP – as from January 1, 2020 – the residual amounts of an advance on lease payments made by EGP on the occasion of the first fire at CIS. The agreement settles the two arbitration proceedings initiated by CIS and IC seeking payment of damages and removal of the photovoltaic plant.

Following the two fires, the tenants of the premises beneath the area covered by the photovoltaic plant had filed a number of suits for damages in respect of losses incurred in the two fires.

The settlement agreement does not extinguish those ancillary disputes.

## Precautionary administrative proceeding and Chucas arbitration

PH Chucas SA (“Chucas”) is a special purpose entity established by Enel Green Power Costa Rica SA after it won a tender organized in 2007 by the Instituto Costarricense de Electricidad (“ICE”) for the construction of a 50 MW hydroelectric plant and the sale of the power generated by the plant to ICE under a build, operate and transfer contract (“BOT”). The agreement provides for Chucas to build and operate the plant for 20 years, before transferring it to ICE. Under the BOT contract, the plant should have entered service on September 26, 2014. For a number of reasons, including flooding, landslides and similar events, the project experienced cost overruns and delays, with a consequent delay in meeting the obligation to deliver electricity. In view of these developments, in 2012 and 2013 Chucas submitted an administrative petition to ICE to recover the higher costs incurred and obtain a postponement of the entry into service of the plant. ICE denied the petition in 2015 and in fact

levied two fines of about \$9 million on Chucas for the delays in entering service. Following the precautionary appeal of Chucas, payment of the fines was suspended.

In addition, as ICE had rejected the administrative petition, on May 27, 2015, under the provisions of the BOT contract, Chucas initiated an arbitration proceeding before the *Câmara Costarricense-Norteamericana de Comercio* (AMCHAM CICA) seeking reimbursement of the additional costs incurred to build the plant and as a result of the delays in completing the project as well as avoidance of the fine levied by ICE. The proceeding is under way and the setting of the date of the hearing is pending.

In addition, on October 3, 2015, in consideration of the violation of a number of contractual obligations (including failure to meet the deadline to complete the works) on the part of FCC Construcción América SA and FCC Construcción SA (FCC) – which had been engaged to build some of the works for the hydroelectric plant – Chucas notified the parties that it was terminating the contract for breach, enforcing the guarantees issued to it. However, the guarantees have not yet been collected pending resolution of an arbitration proceeding initiated by FCC on October 27, 2015, at the International Court of Arbitration in Paris. In its Statement of Claim, filed on June 8, 2016, FCC requested payment of about \$36 million and an extension of the deadline to complete the works of about 200 days. Chucas responded by filing its own counter-claim. Chucas filed its Statement of Defense on October 7, 2016, quantifying its claim for damages as at least \$38 million. The hearing was scheduled for the first week of August 2017.

## Tax litigation in Brazil

### Withholding tax - Ampla

In 1998, Ampla Energia e Serviços SA financed the acquisition of Coelce with the issue of bonds in the amount of \$350 million ("Fixed Rate Notes" - FRN) subscribed by its Panamanian subsidiary, which had been established to raise funds abroad. Under the special rules then in force, subject to maintaining the bond until 2008, the interest paid by Ampla to its subsidiary was not subject to withholding tax in Brazil. However, the financial crisis of 1998 forced the Panamanian company to refinance itself with its Brazilian parent, which for that purpose obtained loans from local banks. The tax authorities considered this financing to be the equivalent of the early extinguishment of the bond, with the consequent

loss of entitlement to the exemption from withholding tax.

In December 2005, Ampla Energia e Serviços SA carried out a spin-off that involved the transfer of the residual FRN debt and the associated rights and obligations.

On November 6, 2012, the *Câmara Superior de Recursos Fiscais* (the highest level of administrative courts) issued a ruling against Ampla, for which the company promptly asked that body for clarifications. On October 15, 2013, Ampla was notified of the denial of the request for clarification ("*Embargo de Declaração*"), thereby upholding the previous adverse decision. The company provided security for the debt and on June 27, 2014 continued litigation before the ordinary courts ("*Tribunal de Justiça*").

The amount involved in the dispute at December 31, 2016 was about €347 million.

### Deadline for payment of ICMS - Ampla

In 2002, the State of Rio de Janeiro changed the deadlines for payment of the ICMS (*Imposto sobre Circulação de Mercadorias e Serviços*) by withholding agents (to the 10th, 20th and 30th of each month - *Ley Benedicta*). Owing to liquidity problems, between September 2002 and February 2005, Ampla Energia e Serviços continued to pay the ICMS in compliance with the previous system (the 5th day of the subsequent month). Despite an informal agreement, the Brazilian tax authorities issued an assessment for late payment of the ICMS ("*multa de demora*"). Ampla appealed the measure (the highest level of administrative courts), arguing that the penalties imposed were not due owing to the application of a number of amnesties granted between 2004 and 2006. On October 25, 2015, Ampla filed the ruling issued by the Supreme Court of Brasília (published on October 2, 2015), which ruled that the change in the deadlines for the payment of the ICMS was unconstitutional. Consequently, in 2016 the Brazilian tax authorities terminated their legal action, settling the dispute in Ampla's favor.

### ICMS - Ampla and Coelce

The States of Rio de Janeiro and Ceará issued a number of tax assessments against Ampla Energia e Serviços (for the years 1996-1999 and 2007-2014) and Companhia Energética do Ceará (for the years 2003, 2004 and 2006-2011), challenging the deduction of ICMS in relation to the purchase of certain non-current assets. The companies challenged the assessments, arguing that they correctly deducted the tax

and asserting that the assets, the purchase of which generated the ICMS, are intended for use in their electricity distribution activities. One of the administrative proceedings ended with a ruling partially in Ampla's favor, with a reduction in the amount due to the tax authorities. Ampla has appealed the remainder.

The amount involved in the disputes totaled approximately €71 million at December 31, 2016.

## Withholding tax - Endesa Brasil

On November 4, 2014, the Brazilian tax authorities issued an assessment against Endesa Brasil SA (now Enel Brasil SA) alleging the failure to apply withholding tax to payments of allegedly higher dividends to non-resident recipients.

More specifically, in 2009, Endesa Brasil, as a result of the first-time application of the IFRS-IAS, had cancelled goodwill, recognizing the effects in equity, on the basis of the correct

application of the accounting standards it had adopted. The Brazilian tax authorities, however, asserted – during an audit – that the accounting treatment was incorrect and that the effects of the cancellation should have been recognized through profit or loss. As a result, the corresponding value (about €202 million) was reclassified as a payment of income to non-residents and, therefore, subject to withholding tax of 15%.

It should be noted that the accounting treatment adopted by the company was agreed with the external auditor and also confirmed by a specific legal opinion issued by a local firm specializing in corporate law.

On December 2, 2014, the company appealed the initial ruling, arguing that its accounting treatment was correct.

In July 2016, the dispute was ruled at first instance in favor of the tax authorities. Endesa Brasil will therefore appeal the decision to the second level of administrative jurisdiction.

The overall amount involved in the dispute at December 31, 2016 was about €75 million.

# 50. Events after the reporting period

## Renewable energy loan in Brazil

On January 4, 2017, the Enel Group and the Brazilian Development Bank ("BNDES"), the main financing agency for development in Brazil, signed a 20-year loan agreement worth around R\$373 million (about €109 million) that will cover part of the investment required to build the 102 MW Apiacás hydropower plant, located in the state of Mato Grosso in Brazil's Central-West Region.

Under the provisions of the loan agreement, the first instalment of R\$293 million (about €85 million) was disbursed at signing, while the second instalment of R\$80 million (about €24 million) will be disbursed in early 2017, subject to the fulfilment of conditions precedent customary for this type of transaction. The loan bears an interest rate based on the TJLP (*Taxa de Juros de Longo Prazo*), the long-term interest rate reviewed quarterly by the Brazilian central bank. The TJLP currently stands at 7.5%, below the current interbank rate in Brazil of 13.63%. The TJLP is used as base rate for loans granted by BNDES to private companies whose projects are deemed eligible for federal funding.

## Issue of first green bond

On January 9, 2017, Enel Finance International ("EFI") successfully placed on the European market its first green bond for institutional investors, backed by a guarantee issued by Enel. The issue totals €1,250 million and provides for repayment in one instalment at maturity on September 16, 2024, as well as the payment of a fixed-rate coupon of 1%, payable annually in arrears in September, as from September 2017. The issue price was set at 99.001% and the effective yield to maturity is equal to 1.137%. The expected date for settlement of the issue is January 16, 2017. The green bond is listed on the regulated markets of the Irish and Luxembourg Stock Exchanges. The transaction received subscriptions of about €3 billion, with considerable interest from socially responsible investors ("SRI"), enabling Enel to further diversify its investor base. The net proceeds raised from the issue – carried out under the medium-term note program of Enel and EFI (the Euro Medium Term Notes - EMTN) – will be used to finance the Enel Group's eligible green projects identified and/or to be identified in accordance with the

Green Bond Principles 2016 published by the International Capital Market Association (ICMA). More specifically, the categories of projects that qualify as eligible green projects include, for example, the development, construction and re-powering of renewable power plants, the development of transmission and distribution grids, and the implementation of smart grids and smart meters in the geographical areas in which the Group operates.

The operation was led by a syndicate of banks comprising Banca IMI, BofA Merrill Lynch, Crédit Agricole CIB, Citi, Deutsche Bank, HSBC, J.P. Morgan, Mizuho Securities, Natixis, SMBC Nikko and UniCredit Bank as joint-bookrunners.

## Acquisition of Demand Energy

On January 11, 2017, Enel Green Power North America ("EGPNA") acquired 100% of Demand Energy Networks ("Demand Energy"), a US-based company specialized in intelligent software and energy storage systems. Enel will work with Demand Energy, which has established itself as a leader in the New York City storage market, delivering value to commercial and industrial customers, to expand deployment of the company's Distributed Energy Network Optimization System (DEN.OSTM), an intelligent software controls platform that enables real-time optimization of energy management and revolutionizes the way electricity is generated, stored and consumed.

## Collaboration agreement with Saudi Electricity Company

On January 11, 2017, Enel SpA and Saudi Arabian utility Saudi Electricity Company ("SEC") signed a framework agreement for cooperation in the power distribution sector that will see the two companies work together to develop long-term strategic knowledge sharing in the latest network technologies. Under the agreement, which has a term of three years but could be extended if both parties agree to, Enel and SEC will enhance exchange of information, best practices and experiences in the distribution sector. More specifically, the two companies will share best practices and benchmarks to take

the performance of distribution networks in areas like operations, efficiency and security to best-in-class levels, while also introducing a technology roadmap, aimed at digitizing distribution grids and improving energy efficiency at the service of customers. Enel and SEC will also jointly evaluate further areas of collaboration in the power distribution sector.

## Agreement with Dubai Electricity and Water Authority

On January 14, 2017, Enel SpA and Dubai Electricity and Water Authority ("DEWA"), Dubai's public service infrastructure company, signed a memorandum of understanding (MoU) for cooperation in smart grids and network digitization. The MoU, which has a term of three years and could be extended if mutually agreed upon, aims to build a partnership between Enel and DEWA to facilitate the achievement of common strategic objectives and the exchange of information, experiences and studies in the areas of work outlined by the MoU, including the analysis of key performance indicators in smart grid management as well as network digitization and security. The parties will cooperate in research activities into the MoU's areas of work and will share Enel's know-how in distribution automation, renewable energy integration, smart meters and smart cities, with special reference to the role played by Enel in Expo Milano 2015, as well as DEWA's efforts in the field of smart grids. The parties will also evaluate cooperation opportunities in network technologies for Expo 2020 Dubai, given Enel's experience in building a fully-electric smart city for Expo Milano 2015 and DEWA's contribution to the development of network infrastructure and related technologies for Expo 2020.

## Agreement with Aton Storage

On February 7, 2017, Enel SpA and Aton Storage, one of the leading Italian companies active in the development and manufacture of innovative storage systems, signed an agreement to cooperate in the field of renewable energy storage services. The aim is to enrich and strengthen the range of products offered to end users with innovative, high performance solutions that contribute to energy efficiency. Storage solutions play a key role in the development of renewable

energy and electric mobility, sectors in which Enel is a world leader.

The battery developed by Aton was included among the new technologies that Enel presented during the Formula E event held in Marrakech on November 12, 2016, and the Capital Markets Day in London on November 22, 2016. Enel has also incorporated the Aton storage system in the manufacture of its photovoltaic panels.

## Participation of Enel Green Power in the construction of a hospital in Uganda

On February 10, 2017, Enel Green Power participated in the project of Emergency and the architect Renzo Piano for the construction of a pediatric surgery hospital in Entebbe, Uganda, which will become the new center of pediatric excellence in Africa. The hospital, which will also be a training center for young doctors and nurses from Uganda and neighboring countries, will make a significant contribution to improving health standards in the area.

Enel Green Power will provide 2,600 thin-film photovoltaic modules manufactured at its 3Sun factory in Catania, for a total of 289.24 kWp (kilowatt peak), giving the new hospital energy autonomy and sustainability.

## Enel included in ECPI sustainability indices for the ninth time

On February 13, 2017, Enel SpA was named for the ninth time to be part of the ECPI Sustainability Index series, which assess companies on the basis of their environmental, social and governance (ESG) performance.

Enel has been included in four of ECPI's indices:

- > ECPI Global Renewable Energy Equity Index, which selects the 40 highest ESG-rated companies active in the production or trading of energy from renewable sources;
- > ECPI Global Megatrend Equity Index, which includes companies that are best placed to seize the opportunities presented by long-term global macro trends;
- > ECPI Euro ESG Equity Index, which is composed of the 320 companies with the largest market capitalization in



the euro-area market that satisfy ECPI ESG criteria;

- > ECPI World ESG Equity Index, a broad benchmark representative of developed market companies that satisfy ECPI ESG criteria.

A key element of Enel's inclusion in the ECPI indices was its long-term strategic approach, the soundness of its operational management practices and its strong contribution to addressing social and environmental needs.

## Acquisition of Brazilian distribution company CELG closes

On February 14, 2017, the Enel subsidiary Enel Brasil finalized the acquisition of about 94.8% of the share capital of Celg Distribuição, a power distribution company that operates in the Brazilian state of Goiás, for a total consideration of R\$2,187 billion (about \$640 million). The remaining stake of CELG will be offered to the company's current and retired employees, through a process that will allow Enel Brasil to purchase the shares not bought by those employees.

The transaction expands Enel's presence in the Brazilian distribution market, increasing Enel's customer base in Brazil from 7 million to 10 million, making Enel Brasil the second largest power distribution company in the country.

## Enel invests in green start-ups in Hawaii

On February 28, 2017, Enel, acting through its US-based renewable energy subsidiary Enel Green Power North America ("EGPNA"), has become a global partner and strategic advisor of Energy Excelsator, a leading American incubator for clean energy start-ups based in Hawaii.

By joining Energy Excelsator, a non-profit organization with the mission to solve the world's energy systems challenges through innovation, Enel will access the organization's portfolio of start-ups and advise on the selection of projects to be supported by the incubator.

Hawaii has a very high penetration of renewables generation, enabling Enel to expand its innovation network, opening energy to new uses, new technologies and new people.

# Report of the independent audit firm on the 2016 consolidated financial statements of the Enel Group



# Enel S.p.A.

Consolidated financial statements as of December 31, 2016

Independent auditor's report in accordance with articles 14  
and 16 of Legislative Decree n. 39, dated January 27, 2010  
(*Translation from the original Italian text*)

Independent auditor's report  
in accordance with articles 14 and 16 of Legislative Decree n. 39, dated 27 January 2010  
(Translation from the original Italian text)

To the Shareholders of  
Enel S.p.A.

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Enel Group, which comprise the balance sheet as of December 31, 2016, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows for the year then ended, a summary of significant accounting policies and the notes to the financial statements.

### Directors' responsibility for the consolidated financial statements

The Directors of Enel S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated February 28, 2005.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated January 27, 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Enel Group as of December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated February 28, 2005.

## Report on other legal and regulatory requirements

Opinion on the consistency of the Report on operations and of specific information of the Report on corporate governance and ownership structure with the consolidated financial statements

We have performed the procedures required under audit standard (SA Italia) n. 720B in order to express an opinion, as required by law, on the consistency of the Report on operations and of specific information of the Report on corporate governance and ownership structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements. The Directors of Enel S.p.A. are responsible for the preparation of the Report on operations and of the Report on corporate governance and ownership structure in accordance with the applicable laws and regulations. In our opinion the Report on operations and the specific information of the Report on corporate governance and ownership structure are consistent with the consolidated financial statements of Enel Group as of December 31, 2016.

Rome, April 11, 2017

EY S.p.A.

Signed by: Massimo delli Paoli, partner

*This report has been translated into the English language solely for the convenience of international readers.*

# Financial statements

## Consolidated income statement

Millions of euro

Notes

		2015		2014	
		of which with related parties		of which with related parties	
<b>Revenue</b>					
Revenue from sales and services	7.a	73,076	5,583	73,328	5,751
Other revenue and income	7.b	2,582	314	2,463	367
	[Subtotal]	75,658		75,791	
<b>Costs</b>					
Electricity, gas and fuel purchases	8.a	37,644	7,089	36,928	7,595
Services and other materials	8.b	16,457	2,431	17,179	2,440
Personnel	8.c	5,313		4,864	
Depreciation, amortization and impairment losses	8.d	7,612		12,670	
Other operating expenses	8.e	2,654	54	2,362	53
Capitalized costs	8.f	(1,539)		(1,524)	
	[Subtotal]	68,141		72,479	
<b>Net income/(expense) from commodity contracts measured at fair value</b>	9	168	(24)	(225)	46
<b>Operating income</b>		7,685		3,087	
Financial income from derivatives	10	2,455		2,078	
Other financial income	11	1,563	15	1,248	23
Financial expense from derivatives	10	1,505		916	
Other financial expense	11	4,969	29	5,540	28
Share of income/(losses) of equity investments accounted for using the equity method	12	52		(35)	
<b>Income before taxes</b>		5,281		(78)	
Income taxes	13	1,909		(850)	
<b>Net income from continuing operations</b>		3,372		772	
<b>Net income from discontinued operations</b>		-		-	
<b>Net income for the year (shareholders of the Parent Company and non-controlling interests)</b>		3,372		772	
Attributable to shareholders of the Parent Company		2,196		517	
Attributable to non-controlling interests		1,176		255	
Basic earnings/(loss) per share attributable to shareholders of the Parent Company (euro)	14	0.23		0.05	
Diluted earnings/(loss) per share attributable to shareholders of the Parent Company (euro)	14	0.23		0.05	
Basic earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)	14	0.23		0.05	
Diluted earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)	14	0.23		0.05	

# Statement of consolidated comprehensive income for the year

Millions of euro

Notes

		2015	2014
<b>Net income for the year</b>		<b>3,372</b>	<b>772</b>
<b>Other comprehensive income recyclable to profit or loss</b>			
Effective portion of change in the fair value of cash flow hedges		359	(347)
Share of the other comprehensive income of equity investments accounted for using the equity method		29	(13)
Change in the fair value of financial assets available for sale		25	(23)
Change in translation reserve		(1,743)	(717)
<b>Other comprehensive income not recyclable to profit or loss</b>			
Remeasurement of net employee benefit liabilities/(assets)		184	(307)
<b>Total other comprehensive income/(loss) for the year</b>	32	<b>(1,146)</b>	<b>(1,407)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>2,226</b>	<b>(635)</b>
<b>Attributable to:</b>			
- shareholders of the Parent Company		2,191	(205)
- non-controlling interests		35	(430)

# Consolidated balance sheet

Millions of euro

Notes

<b>ASSETS</b>		<b>at Dec. 31, 2015</b>		at Dec. 31, 2014	
			<i>of which with related parties</i>		<i>of which with related parties</i>
<b>Non-current assets</b>					
Property, plant and equipment	15	73,307		73,089	
Investment property	18	144		143	
Intangible assets	19	15,235		16,612	
Goodwill	20	13,824		14,027	
Deferred tax assets	21	7,386		7,067	
Equity investments accounted for using the equity method	22	607		872	
Derivatives	23	2,343		1,335	
Other non-current financial assets	24	3,274		3,645	
Other non-current assets	25	877		885	
	<i>[Total]</i>	<b>116,997</b>		<b>117,675</b>	
<b>Current assets</b>					
Inventories	26	2,904		3,334	
Trade receivables	27	12,797	937	12,022	1,220
Income tax receivables		636		788	
Derivatives	23	5,073		5,500	
Other current financial assets	28	2,381	2	3,984	
Other current assets	29	2,898	135	3,465	142
Cash and cash equivalents		10,639		13,088	
	<i>[Total]</i>	37,328		42,181	
<b>Assets classified as held for sale</b>	30	<b>6,854</b>		<b>6,778</b>	
<b>TOTAL ASSETS</b>		<b>161,179</b>		<b>166,634</b>	

LIABILITIES AND SHAREHOLDERS' EQUITY		at Dec. 31, 2015		at Dec. 31, 2014	
		of which with related parties		of which with related parties	
Equity attributable to the shareholders of the Parent Company					
Share capital		9,403		9,403	
Reserves		3,352		3,362	
Retained earnings/(Loss carried forward)		19,621		18,741	
	[Total]	32,376		31,506	
Non-controlling interests		19,375		19,639	
Total shareholders' equity	32	51,751		51,145	
Non-current liabilities					
Long-term borrowings	33	44,872		48,655	
Employee benefits	34	2,284		3,687	
Provisions for risks and charges - non-current	35	5,192		4,051	
Deferred tax liabilities	21	8,977		9,220	
Derivatives	23	1,518		2,441	24
Other non-current liabilities	36	1,549	4	1,464	2
	[Total]	64,392		69,518	
Current liabilities					
Short-term borrowings	33	2,155		3,252	
Current portion of long-term borrowings	33	5,733		5,125	
Provisions for risk and charges - current	35	1,630		1,187	
Trade payables	37	11,775	2,911	13,419	3,159
Income tax payable		585		253	
Derivatives	23	5,509		5,441	
Other current financial liabilities	38	1,063		1,177	
Other current liabilities	40	11,222	14	10,827	3
	[Total]	39,672		40,681	
Liabilities included in disposal groups classified as held for sale	31	5,364		5,290	
Total liabilities		109,428		115,489	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		161,179		166,634	

# Statement of changes in consolidated shareholders' equity

Share capital and reserves attributable to the shareholders of the Parent Company

	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve from translation of financial statements in currencies other than euro	Reserve from measurement of cash flow hedge financial instruments	Reserve from measurement of financial instruments AFS
<b>At January 1, 2014</b>	<b>9,403</b>	<b>5,292</b>	<b>1,881</b>	<b>2,262</b>	<b>(1,084)</b>	<b>(1,592)</b>	<b>128</b>
Dividends and interim dividends	-	-	-	-	-	-	-
Transactions in non-controlling interests	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	6	21	-
Comprehensive income for the period	-	-	-	-	(243)	(235)	(23)
of which:							
- other comprehensive income/(loss) for the period	-	-	-	-	(243)	(235)	(23)
- net income/(loss) for the period	-	-	-	-	-	-	-
<b>At December 31, 2014</b>	<b>9,403</b>	<b>5,292</b>	<b>1,881</b>	<b>2,262</b>	<b>(1,321)</b>	<b>(1,806)</b>	<b>105</b>
Dividends and interim dividends	-	-	-	-	-	-	-
Transactions in non-controlling interests	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-
Comprehensive income for the period	-	-	-	-	(635)	465	25
of which:							
- other comprehensive income/(loss) for the period	-	-	-	-	(635)	465	25
- net income/(loss) for the period	-	-	-	-	-	-	-
<b>At December 31, 2015</b>	<b>9,403</b>	<b>5,292</b>	<b>1,881</b>	<b>2,262</b>	<b>(1,956)</b>	<b>(1,341)</b>	<b>130</b>



Reserve from equity investments accounted for using the equity method	Reserve from remeasurement of net defined benefit plan liabilities/(assets)	Reserve from disposal of equity interests without loss of control	Reserve from transactions in non-controlling interests	Retained earnings/(Loss carried forward)	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total shareholders' equity
<b>(58)</b>	<b>(528)</b>	<b>721</b>	<b>62</b>	<b>19,454</b>	<b>35,941</b>	<b>16,891</b>	<b>52,832</b>
-	-	-	-	(1,222)	(1,222)	(1,541)	(2,763)
-	-	(2,831)	(255)	-	(3,086)	5,385	2,299
3	59	(3)	-	(8)	78	(666)	(588)
(19)	(202)	-	-	517	(205)	(430)	(635)
-	-	-	-	-	-	-	-
(19)	(202)	-	-	-	(722)	(685)	(1,407)
-	-	-	-	517	517	255	772
<b>(74)</b>	<b>(671)</b>	<b>(2,113)</b>	<b>(193)</b>	<b>18,741</b>	<b>31,506</b>	<b>19,639</b>	<b>51,145</b>
-	-	-	-	(1,316)	(1,316)	(767)	(2,083)
-	-	(2)	(3)	-	(5)	469	464
-	-	-	-	-	-	(1)	(1)
20	120	-	-	2,196	2,191	35	2,226
20	120	-	-	-	(5)	(1,141)	(1,146)
-	-	-	-	2,196	2,196	1,176	3,372
<b>(54)</b>	<b>(551)</b>	<b>(2,115)</b>	<b>(196)</b>	<b>19,621</b>	<b>32,376</b>	<b>19,375</b>	<b>51,751</b>

# Consolidated statement of cash flows

Millions of euro

Notes

		2015		2014	
			<i>of which with related parties</i>		<i>of which with related parties</i>
<b>Income before taxes for the year</b>		<b>5,281</b>		<b>(78)</b>	
<b>Adjustments for:</b>					
Amortization and impairment losses of intangible assets	8.d	770		1,709	
Depreciation and impairment losses of property, plant and equipment	8.d	6,002		10,212	
Financial (income)/expense	11	2,246		2,581	
Interest and other financial income received	11	1,715	15	1,326	23
Interest and other financial expense paid	11	(4,326)	(29)	(4,043)	(28)
(Gains)/Losses from disposals and other non-monetary items		(412)		(610)	
Taxes paid	13	(1,516)		(1,396)	
Accruals to provisions		1,448		911	
Exchange rate adjustments of foreign currency assets and liabilities (including cash and cash equivalents)		856		1,285	
Changes in net current assets:		(2,492)		(1,839)	
- inventories	26	274		(102)	
- trade receivables	27	(2,329)	283	(1,283)	58
- trade payables	37	(581)	(248)	1,311	(549)
- provisions	35	(1,243)		(1,773)	
- other assets and liabilities		1,387	(6)	9	39
<b>Cash flows from operating activities (A)</b>		<b>9,572</b>		<b>10,058</b>	
Investments in property, plant and equipment	15	(7,000)		(6,021)	
Investments in intangible assets	19	(762)		(680)	
Investments in entities (or business units) less cash and cash equivalents acquired	5	(78)		(73)	
Disposals of entities (or business units) less cash and cash equivalents sold	5	1,350		312	
(Increase)/Decrease in other investing activities		69		325	
<b>Cash flows from investing/disinvesting activities (B)</b>		<b>(6,421)</b>		<b>(6,137)</b>	
Financial debt (new long-term borrowing)	33	1,474		4,582	
Financial debt (repayments and other changes in net financial debt)	33	(5,015)		(2,400)	
Transactions in non-controlling interest	32	456		1,977	
Transaction costs in the disposal of equity interests without loss of control		-		(50)	
Dividends and interim dividends paid	32	(2,297)		(2,573)	
<b>Cash flows from financing activities (C)</b>		<b>(5,382)</b>		<b>1,536</b>	
<b>Impact of exchange rate fluctuations on cash and cash equivalents (D)</b>		<b>(234)</b>		<b>(102)</b>	
<b>Increase/(Decrease) in cash and cash equivalents (A+B+C+D)</b>		<b>(2,465)</b>		<b>5,355</b>	
Cash and cash equivalents at the beginning of the period <sup>(1)</sup>		13,255		7,900	
Cash and cash equivalents at the end of the period <sup>(2)</sup>		10,790		13,255	

(1) Of which cash and cash equivalents equal to €13,088 million at January 1, 2015 (€7,873 million at January 1, 2014), short-term securities equal to €140 million at January 1, 2015 (€17 million at January 1, 2014) and cash equivalents pertaining to "Assets held for sale" equal to €27 million at January 1, 2015 (€10 million at January 1, 2014).

(2) Of which cash and cash equivalents equal to €10,639 million at December 31, 2015 (€13,088 million at December 31, 2014), short-term securities equal to €1 million at December 31, 2015 (€140 million at December 31, 2014) and cash equivalents pertaining to "Assets held for sale" equal to €150 million at December 31, 2015 (€27 million at December 31, 2014).

# Notes to the consolidated financial statements

1

## Form and content of the financial statements

Enel SpA has its registered office in Viale Regina Margherita 137, Rome, Italy, and since 1999 has been listed on the Milan Stock Exchange. Enel is an energy multinational and is one of the world's leading integrated operators in the electricity and gas industries, with a special focus on Europe and Latin America.

The consolidated financial statements for the period ended December 31, 2015 comprise the financial statements of Enel SpA, its subsidiaries and Group holdings in associates and joint ventures, as well as the Group's share of the assets, liabilities, costs and revenue of joint operations ("the Group"). A list of the subsidiaries, associates, joint operations and joint ventures included in the scope of consolidation is attached.

The consolidated financial statements were approved for publication by the Board of Directors on March 22, 2016.

These financial statements have been audited by Reconta Ernst & Young SpA.

## Basis of presentation

The consolidated financial statements for the year ended December 31, 2015 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation 2002/1606/EC and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as the "IFRS-EU".

The financial statements have also been prepared in conformity with measures issued in implementation of Article 9,

paragraph 3, of Legislative Decree 38 of February 28, 2005.

The consolidated financial statements consist of the consolidated income statement, the statement of consolidated comprehensive income, the consolidated balance sheet, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows and the related notes.

The assets and liabilities reported in the consolidated balance sheet are classified on a "current/non-current basis", with separate reporting of assets held for sale and liabilities included in disposal groups held for sale. Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the Group or in the 12 months following the balance sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Group or within the 12 months following the close of the financial year. The consolidated income statement is classified on the basis of the nature of costs, with separate reporting of net income/(loss) from continuing operations and net income (loss) from discontinued operations attributable to shareholders of the Parent Company and to non-controlling interests.

The indirect method is used for the consolidated cash flow statement of cash flows, with separate reporting of any cash flows by operating, investing and financing activities associated with discontinued operations.

In particular, although the Group does not diverge from the provisions of IAS 7 in the classification of items:

- > cash flows from operating activities report cash flows from core operations, interest on loans granted and obtained and dividends received from joint ventures or associates;
- > investing/disinvesting activities comprise investments in property, plant and equipment and intangible assets and disposals of such assets, including the effects of business combinations in which the Group acquires or loses control of companies, as well as other minor investments;
- > cash flows from financing activities include cash flows generated by liability management transactions, dividends paid to non-controlling interests by the Parent Company or other consolidated companies and the effects of

transactions in non-controlling interests that do not change the status of control of the companies involved;

- > a separate item is used to report the impact of exchange rates on cash and cash equivalents and their impact on profit or loss is eliminated in full in order to neutralize the effect on cash flows from operating activities.

For more information on cash flows as reported in the statement of cash flows, please see the note on “cash flows” in the report on operations.

The income statement, the balance sheet and the statement of cash flows report transactions with related parties, the definition of which is given in the next section below.

The consolidated financial statements have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRS, as explained in the measurement bases applied to each individual item, and of non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.

The consolidated financial statements are presented in euro, the functional currency of the Parent Company Enel SpA. All figures are shown in millions of euro unless stated otherwise. The consolidated financial statements provide comparative information in respect of the previous period.

## 2

# Accounting policies and measurement criteria

## Use of estimates and management judgment

Preparing the consolidated financial statements under IFRS-EU requires management to take decisions and make estimates and assumptions that may impact the value of revenues, costs, assets and liabilities and the related disclosures concerning the items involved as well as contingent assets and liabilities at the balance sheet date. The estimates and management's judgments are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected through profit or loss if they only involve that period. If the revision

involves both the current and future periods, the change is recognized in the period in which the revision is made and in the related future periods.

In order to enhance understanding of the financial statements, the following sections examine the main items affected by the use of estimates and the cases that reflect management judgments to a significant degree, underscoring the main assumptions used by managers in measuring these items in compliance with the IFRS-EU. The critical element of such valuations is the use of assumptions and professional judgments concerning issues that are by their very nature uncertain.

Changes in the conditions underlying the assumptions and judgments could have a substantial impact on future results.

## Use of estimates

### Revenue recognition

Revenue from sales to customers is recognized on an accruals basis on the basis of the fair value of the services provided.

Revenue from sales of electricity and gas to retail customers is recognized at the time the electricity or gas is supplied and includes, in addition to amounts invoiced on the basis of periodic meter readings (pertaining to the year), an estimate of the value of electricity and gas sold during the period but not yet invoiced, which is equal to the difference between the amount of electricity and gas delivered to the distribution network and that invoiced in the period, taking account of any network losses. Revenue between the date of the last meter reading and the end of the year is based on estimates of the daily consumption of individual customers calculated on the basis of their consumption record, adjusted to take account of weather conditions and other factors that may affect estimated consumption.

Revenue from the transport of electricity is recognized when the services are rendered to distribution customers even if they have not yet been invoiced. That revenue is determined on the basis of the amounts that have actually transited along the distribution network, net of estimated losses. Where provided for in the specific local regulations, such revenue is adjusted to take account of the restrictions and mandatory rates established by the Authority for Electricity, Gas and the Water System in Italy or the equivalent national organizations in other countries. Where the inclusion of investments in rates, which gives rise to the operator's right to receive the amount, in the year in which they are carried out is already virtually certain, the corresponding revenue is recognized on an accrual basis on the basis of a preliminary estimate of the investments carried out during the year.

### **Pension plans and other post-employment benefits**

Some of the Group's employees participate in pension plans offering benefits based on their wage history and years of service.

Certain employees are also eligible for other post-employment benefit schemes.

The expenses and liabilities of such plans are calculated on the basis of estimates carried out by consulting actuaries, who use a combination of statistical and actuarial elements in their calculations, including statistical data on past years and forecasts of future costs.

Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, the rate of wage increases, the inflation rate and trends in the cost of medical care.

These estimates can differ significantly from actual developments owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in the effective cost of medical care.

Such differences can have a substantial impact on the quantification of pension costs and other related expenses.

### **Recoverability of non-current assets**

The carrying amount of non-current assets is reviewed periodically and wherever circumstances or events suggest that a review is necessary. Goodwill is reviewed at least annually. Such assessments of the recoverable amount of assets are carried out in accordance with the provisions of IAS 36, as described in greater detail in note 20 below.

In particular, the recoverable amount of non-current assets and goodwill is based on estimates and assumptions used in order to determine the amount of cash flow and the discount rates applied. Where the value of a group of non-current assets is considered to be impaired, it is written down to its recoverable value, as estimated on the basis of the use of the assets and their possible future disposal, in accordance with the Company's most recent approved plan.

The factors used in the calculation of the recoverable amount are discussed in more detail in the section "Impairment of non-financial assets". Nevertheless, possible changes in the estimation of the factors on which the calculation of such values is performed could generate different recoverable values. The analysis of each group of non-current assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the specific circumstances.

### **Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012**

Law 134 of August 7, 2012 containing "urgent measures for growth" (published in the *Gazzetta Ufficiale* of August 11, 2012, introduced a sweeping overhaul of the rules governing hydroelectric concessions. Among its various provisions, the law establishes that five years before the expiration of a major hydroelectric water diversion concession and in cases of lapse, relinquishment or revocation, where there is no prevailing public interest for a different use of the water, incompatible with its use for hydroelectric generation, the competent public entity shall organize a public call for tender for the award for consideration of the concession for a period ranging from 20 to a maximum of 30 years.

In order to ensure operational continuity, the law also governs the methods of transfer ownership of the business unit necessary to operate the concession, including all legal relationships relating to the concession, from the outgoing concession holder to the new concession holder, in exchange for payment of a price to be determined in negotiations between the departing concession holder and the grantor agency, taking due account of the following elements:

- > for intake and governing works, penstocks and outflow channels, which under the consolidated law governing waters and electrical plants are to be relinquished free of charge (Article 25 of Royal Decree 1775 of December 11, 1933), the revalued cost less government capital grants, also revalued, received by the concession holder for the construction of such works, depreciated for ordinary wear and tear;
- > for other property, plant and equipment, the market value, meaning replacement value, reduced by estimated depreciation for ordinary wear and tear.

While acknowledging that the new regulations introduce important changes as to the transfer of ownership of the business unit with regard to the operation of the hydroelectric concession, the practical application of these principles faces difficulties, given the uncertainties that do not permit the formulation of a reliable estimate of the value that can be recovered at the end of existing concessions (residual value).

Accordingly, management has decided to not attempt to formulate an estimate of residual value.

The fact that the legislation requires the new concession holder to make a payment to the departing concession holder prompted management to review the depreciation schedules for assets classified as to be relinquished free of charge prior to Law 134/2012 (until the year ended on December 31, 2011, given that the assets were to be relinquished free of charge,

the depreciation period was equal to the closest date between the term of the concession and the end of the useful life of the individual asset), calculating depreciation no longer over the term of the concession but, if longer, over the economic and technical life of the individual assets. If additional information becomes available to enable the calculation of residual value, the carrying amounts of the assets involved will be adjusted prospectively.

### **Determining the fair value of financial instruments**

The fair value of financial instruments is determined on the basis of prices directly observable in the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximize the use of observable market inputs. In rare circumstances where this is not possible, the inputs are estimated by management taking due account of the characteristics of the instruments being measured.

In accordance with IFRS 13, the Group includes a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk, using the method discussed in note 45. Changes in the assumptions made in estimating the input data could have an impact on the fair value recognized for those instruments.

### **Recovery of deferred tax assets**

At December 31, 2015, the consolidated financial statements report deferred tax assets in respect of tax losses to be reversed in subsequent years and income components whose deductibility is deferred in an amount whose recovery is considered by management to be highly probable.

The recoverability of such assets is subject to the achievement of future profits sufficient to absorb such tax losses and to use the benefits of the other deferred tax assets.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies and the tax rates applicable at the date of reversal. However, where the Group should become aware that it is unable to recover all or part of recognized tax assets in future years, the consequent adjustment would be taken to the income statement in the year in which this circumstance arises.

### **Litigation**

The Enel Group is involved in various legal disputes regarding

the generation, transport and distribution of electricity. In view of the nature of such litigation, it is not always objectively possible to predict the outcome of such disputes, which in some cases could be unfavorable.

Provisions have been recognized to cover all significant liabilities for cases in which legal counsel feels an adverse outcome is likely and a reasonable estimate of the amount of the loss can be made.

### **Obligations associated with generation plants, including decommissioning and site restoration**

Generation activities may entail obligations for the operator with regard to future interventions that will have to be performed following the end of the operating life of the plant.

Such interventions may involve the decommissioning of plants and site restoration, or other obligations linked to the type of generation technology involved. The nature of such obligations may also have a major impact on the accounting treatment used for them.

In the case of nuclear power plants, where the costs regard both decommissioning and the storage of waste fuel and other radioactive materials, the estimation of the future cost is a critical process, given that the costs will be incurred over a very long span of time, estimated at up to 100 years.

The obligation, based on financial and engineering assumptions, is calculated by discounting the expected future cash flows that the Group considers it will have to pay to meet the obligations it has assumed.

The discount rate used to determine the present value of the liability is the pre-tax risk-free rate and is based on the economic parameters of the country in which the plant is located.

That liability is quantified by management on the basis of the technology existing at the measurement date and is reviewed each year, taking account of developments in storage, decommissioning and site restoration technology, as well as the ongoing evolution of the legislative framework governing health and environmental protection.

Subsequently, the value of the obligation is adjusted to reflect the passage of time and any changes in estimates.

### **Other**

In addition to the items listed above, the use of estimates regarded the fair value measurement of assets acquired and liabilities assumed in business combinations. For these items, the estimates and assumptions are contained in the discussion of the accounting policies adopted.

## Management judgments

### Identification of cash generating units (CGUs)

In application of “IAS 36 - *Impairment of assets*”, the goodwill recognized in the consolidated financial statements of the Group as a result of business combinations has been allocated to individual or groups of CGUs that will benefit from the combination. A CGU is the smallest group of assets that generates largely independent cash inflows.

In identifying such CGUs, management took account of the specific nature of its assets and the business in which it is involved (geographical area, business area, regulatory framework, etc.), verifying that the cash flows of a given group of assets were closely independent and largely autonomous of those associated with other assets (or groups of assets). The assets of each CGU were also identified on the basis of the manner in which management manages and monitors those assets within the business model adopted. For a more extensive discussion, please see notes 4 and 5 below and the discussion in the section on “Results by business area” in the report on operations.

The CGUs identified by management to which the goodwill recognized in these consolidated financial statements has been allocated are indicated in the section on intangible assets, to which the reader is invited to refer.

The number and scope of the CGUs are updated systematically to reflect the impact of new business combinations and reorganizations carried out by the Group, and to take account of external factors that could impact the ability of groups of assets to generate independent cash flows.

### Determination of the existence of control

Under the provisions of IFRS 10, control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is defined as the current ability to direct the relevant activities of the investee based on existing substantive rights.

The existence of control does not depend solely on ownership of a majority shareholding, but rather it arises from substantive rights that each investor holds over the investee. Consequently, management must use its judgment in assessing whether specific situations determine substantive rights that give the Group the power to direct the relevant activities of the investee in order to affect its returns.

For the purpose of assessing control, management analyses all facts and circumstances including any agreements with other investors, rights arising from other contractual arrangements and potential voting rights (call options, warrants, put

options granted to non-controlling shareholders, etc.). These other facts and circumstances could be especially significant in such assessment when the Group holds less than a majority of voting rights, or similar rights, in the investee.

Following such analysis of the existence of control, which had already been done in previous years under the provisions of the then-applicable IAS 27, the Group consolidated certain companies (Emgesa and Codensa) on a line-by-line basis even though it did not hold more than half of the voting rights. That approach was maintained in the assessment carried out in application of IFRS 10 on the basis of the requirements discussed above, as detailed in the attachment “Subsidiaries, associates and other significant equity investments of the Enel Group at December 31, 2015” to these financial statements.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of control.

Finally, the assessment of the existence of control did not find any situations of *de facto* control.

### Determination of the existence of joint control and of the type of joint arrangement

Under the provisions of the new IFRS 11, a joint arrangement is an agreement where two, or more parties, have joint control.

Joint control exists when the decisions over the relevant activities require the unanimous consent of at least two parties of a joint arrangement.

A joint arrangement can be configured as a joint venture or a joint operation. Joint ventures are joint arrangements whereby the parties that have joint control have rights to the net assets of the arrangement. Conversely, joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement.

In order to determine the existence of the joint control and the type of joint arrangement, management must apply judgment and assess its rights and obligations arising from the arrangement. For this purpose, the management considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

Following that analysis, the Group has considered its interest in Asociación Nuclear Ascó-Vandellós II as a joint operation. The Group re-assesses whether or not it has joint control if facts and circumstances indicate that changes have occur-



red in one or more of the elements considered in verifying the existence of joint control and the type of the joint arrangement.

### **Determination of the existence of significant influence over an associate**

Associated companies are those in which the Group exercises significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee but not exercise control or joint control over those policies. In general, it is presumed that the Group has a significant influence when it has an ownership interest of 20% or more. In order to determine the existence of significant influence, management must apply judgment and consider all facts and circumstances.

The Group re-assesses whether or not it has significant influence if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of significant influence.

### **Application of "IFRIC 12 - Service concession arrangements" to concessions**

"IFRIC 12 - Service concession arrangements" applies to "public-to-private" service concession arrangements, which can be defined as contracts under which the grantor transfers to a concession holder the right to deliver public services that give access to the main public facilities for a specified period of time in return for managing the infrastructure used to deliver those public services.

More specifically, IFRIC 12 applies to public-to-private service concession arrangements if the grantor:

- > controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- > controls – through ownership or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

In assessing the applicability of these provisions for the Group, management carefully analyzed existing concessions.

On the basis of that analysis, the provisions of IFRIC 12 are applicable to some of the infrastructure of a number of companies in the Latin America Region that operate in Brazil (essentially Ampla and Coelce).

## **Related parties**

Related parties are mainly parties that have the same control-

ling entity as Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include entities that operate post-employment benefit plans for employees of Enel SpA or its associates (specifically, the FOPEN and FONDENEL pension funds), as well as the members of the boards of auditors, and their immediate family, and the key management personnel, and their immediate family, of Enel SpA and its subsidiaries. Key management personnel comprises management personnel who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company. They include directors.

## **Subsidiaries**

The Group controls an entity when it is exposed/has rights to variable returns deriving from its involvement and has the ability, through the exercise of its power over the investee, to affect its returns. Power is defined as when the investor has existing rights that give it the current ability to direct the relevant activities.

The figures of the subsidiaries are consolidated on a full line-by-line basis as from the date control is acquired until such control ceases.

## **Consolidation procedures**

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared at December 31, 2015 in accordance with the accounting policies adopted by the Parent Company.

If a subsidiary uses different accounting policies from those adopted in preparing the consolidated financial statements for similar transactions and facts in similar circumstances, appropriate adjustments are made to ensure conformity with Group accounting policies.

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in or excluded from the consolidated financial statements, respectively, from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and the other components of other comprehensive income are attributed to the owners of the Parent and non-controlling interests, even if this results in a loss for non-controlling interests.

All intercompany assets and liabilities, equity, income, ex-



penses and cash flows relating to transactions between entities of the Group are eliminated in full.

Changes in ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions, with the carrying amounts of the controlling and non-controlling interests adjusted to reflect changes in their interests in the subsidiary. Any difference between the fair value of the consideration paid or received and the corresponding fraction of equity acquired or sold is recognized in consolidated equity.

When the Group ceases to have control over a subsidiary, any interest retained in the entity is remeasured to its fair value, recognized through profit or loss, at the date when control is lost. In addition, any amounts previously recognized in other comprehensive income in respect of the former subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities.

## Investments in joint arrangements and associates

A joint venture is an entity over which the Group exercises joint control and has rights to the net assets of the arrangement. Joint control is the sharing of control of an arrangement, whereby decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over the investee.

The Group's investments in its joint ventures and associates are accounted for using the equity method.

Under the equity method, these investments are initially recognized at cost and any goodwill arising from the difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities at the acquisition date is included in the carrying amount of the investment. Goodwill is not individually tested for impairment.

After the acquisition date, their carrying amount is adjusted to recognize changes in the Group's share of profit or loss of the associate or joint venture. The OCI of such investees is presented as specific items of the Group's OCI.

Distributions received from joint venture and associates reduce the carrying amount of the investments.

Profits and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate or joint venture. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount.

If the investment ceases to be an associate or a joint venture, the Group recognizes any retained investment at its fair value, through profit or loss. Any amounts previously recognized in other comprehensive income in respect of the former associate or joint venture are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to exercise a significant influence or joint control, the Group continues to apply the equity method and the share of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction is accounted for as if the Group had directly disposed of the related assets or liabilities.

When a portion of an investment in an associate or joint venture meets the criteria to be classified as held for sale, any retained portion of an investment in the associate or joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion classified as held for sale takes place.

Joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. For each joint operation, the Group recognized assets, liabilities, costs and revenue on the basis of the provisions of the arrangement rather than the participating interest held.

## Translation of foreign currency items

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance sheet exchange rate. Non-monetary assets and liabilities in foreign currency stated at cost are translated using the exchange rate prevailing on the date of initial recognition of the transaction. Non-monetary assets and liabilities in fo-

foreign currency stated at fair value are translated using the exchange rate prevailing on the date that value was determined. Any exchange rate differences are recognized through profit or loss.

## Translation of financial statements denominated in a foreign currency

For the purposes of the consolidated financial statements, all profits/losses, assets and liabilities are stated in euro, which is the functional currency of the Parent Company, Enel SpA.

In order to prepare the consolidated financial statements, the financial statements of consolidated companies in functional currencies other than the presentation currency used in the consolidated financial statements are translated into euro by applying the relevant period-end exchange rate to the assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period, which approximates the exchange rates prevailing at the date of the respective transactions, to the income statement items.

Any resulting exchange rate gains or losses are recognized as a separate component of equity in a special reserve. The gains and losses are recognized proportionately in the income statement on the disposal (partial or total) of the subsidiary.

## Business combinations

Business combinations initiated before January 1, 2010 and completed within that financial year are recognized on the basis of IFRS 3 (2004).

Such business combinations were recognized using the purchase method, where the purchase cost is equal to the fair value at the date of the exchange of the assets acquired and the liabilities incurred or assumed, plus costs directly attributable to the acquisition. This cost was allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values. Any positive difference between the cost of the acquisition and the fair value of the net assets acquired pertaining to the shareholders of the Parent Company was recognized as goodwill. Any negative difference was recognized in profit or loss. The value of non-controlling interests was determined in proportion to the interest held by minority shareholders in the net assets. In the case of business combinations achieved in stages, at the date of acquisition any adjustment to

the fair value of the net assets acquired previously was recognized in equity; the amount of goodwill was determined for each transaction separately based on the fair values of the acquiree's net assets at the date of each exchange transaction.

Business combinations carried out as from January 1, 2010 are recognized on the basis of IFRS 3 (2008), which is referred to as IFRS 3 Revised hereafter.

More specifically, business combinations are recognized using the acquisition method, where the purchase cost (the consideration transferred) is equal to the fair value at the purchase date of the assets acquired and the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Costs directly attributable to the acquisition are recognized through profit or loss.

This cost is allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values as at the acquisition date. Any positive difference between the price paid, measured at fair value as at the acquisition date, plus the value of any non-controlling interests, and the net value of the identifiable assets and liabilities of the acquiree measured at fair value is recognized as goodwill. Any negative difference is recognized in profit or loss.

The value of non-controlling interests is determined either in proportion to the interest held by minority shareholders in the net identifiable assets of the acquiree or at their fair value as at the acquisition date.

In the case of business combinations achieved in stages, at the date of acquisition of control the previously held equity interest in the acquiree is remeasured to fair value and any positive or negative difference is recognized in profit or loss. Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration classified as an asset or a liability that is a financial instrument within the scope of IAS 39 is recognized either in profit or loss or in other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS-EU. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the fair values of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the

business combination is recognized using such provisional values. Any adjustments resulting from the completion of the measurement process are recognized within 12 months of the date of acquisition, restating comparative figures.

## Fair value measurement

For all fair value measurements and disclosures of fair value, that are either required or permitted by international accounting standards, the Group applies IFRS 13.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).

The fair value measurement assumes that the transaction to sell an asset or transfer a liability takes place in the principal market, i.e. the market with the greatest volume and level of activity for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place in the most advantageous market to which the Group has access, i.e. the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Market participants are independent, knowledgeable sellers and buyers who are able to enter into a transaction for the asset or the liability and who are motivated but not forced or otherwise compelled to do so.

When measuring fair value, the Group takes into account the characteristics of the asset or liability, in particular:

- > for a non-financial asset, a fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use;
- > for liabilities and own equity instruments, the fair value reflects the effect of non-performance risk, i.e. the risk that an entity will not fulfill an obligation;
- > in the case of groups of financial assets and financial liabilities with offsetting positions in market risk or credit risk, managed on the basis of an entity's net exposure to such risks, it is permitted to measure fair value on a net basis.

In measuring the fair value of assets and liabilities, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available,

maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenses directly attributable to bringing the asset to the location and condition necessary for its intended use.

The cost is also increased by the present value of the estimate of the costs of decommissioning and restoring the site on which the asset is located where there is a legal or constructive obligation to do so. The corresponding liability is recognized under provisions for risks and charges. The accounting treatment of changes in the estimate of these costs, the passage of time and the discount rate is discussed under "Provisions for risks and charges".

Property, plant and equipment transferred from customers to connect them to the electricity distribution network and/or to provide them with ongoing access to a supply of electricity is initially recognized at its fair value at the time of the transfer.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the assets themselves. Borrowing costs associated with the purchase/construction of assets that do not meet such requirement are expensed in the period in which they are incurred.

Certain assets that were revalued at the IFRS-EU transition date or in previous periods are recognized at their fair value, which is considered to be their deemed cost at the revaluation date.

Where individual items of major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately.

Subsequent costs are recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits associated with the cost incurred to replace a part of the asset will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as incurred.

The cost of replacing part or all of an asset is recognized as an increase in the carrying amount of the asset and is depreciated over its useful life; the net carrying amount of the replaced unit is derecognized through profit or loss.

Property, plant and equipment, net of its residual value, is depreciated on a straight-line basis over its estimated useful life, which is reviewed annually and, if appropriate, adjusted prospectively. Depreciation begins when the asset is available for use.

The estimated useful life of the main items of property, plant and equipment is as follows:

Civil buildings	20-70 years
Buildings and civil works incorporated in plants	20-85 years
Hydroelectric power plants:	
- penstock	20-75 years
- mechanical and electrical machinery	24-40 years
- other fixed hydraulic works	25-100 years
Thermal power plants:	
- boilers and auxiliary components	19-46 years
- gas turbine components	10-40 years
- mechanical and electrical machinery	10-45 years
- other fixed hydraulic works	10-66 years
Nuclear power plants	60 years
Geothermal power plants:	
- cooling towers	10-20 years
- turbines and generators	20-30 years
- turbine parts in contact with fluid	10-25 years
- mechanical and electrical machinery	20-22 years
Wind power plants:	
- towers	20-25 years
- turbines and generators	20-25 years
- mechanical and electrical machinery	15-25 years
Solar power plants:	
- mechanical and electrical machinery	15-40 years
Public and artistic lighting:	
- public lighting installations	18-25 years
- artistic lighting installations	20-25 years
Transmission lines	20-50 years
Transformer stations	10-60 years
Distribution plants:	
- high-voltage lines	30-50 years
- primary transformer stations	10-60 years
- low- and medium-voltage lines	23-50 years
Meters:	
- electromechanical meters	2-27 years
- electricity balance measurement equipment	2-35 years
- electronic meters	10-20 years

The useful life of leasehold improvements is determined on the basis of the term of the lease or, if shorter, on the duration of the benefits produced by the improvements themselves. Land is not depreciated as it has an undetermined useful life.

Assets recognized under property, plant and equipment are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net carrying amount of the derecognized assets.

## Assets to be relinquished free of charge

The Group's plants include assets to be relinquished free of charge at the end of the concessions. These mainly regard major water diversion works and the public lands used for the operation of the thermal power plants. For Italy, the concessions terminate between 2020 and 2040.

Within the Italian regulatory framework in force until 2011, if the concessions are not renewed, at those dates all intake and governing works, penstocks, outflow channels and other assets on public lands were to be relinquished free of charge to the government in good operating condition. Accordingly, depreciation on assets to be relinquished was calculated over the shorter of the term of the concession and the remaining useful life of the assets.

In the wake of the legislative changes introduced with Law 134 of August 7, 2012, the assets previously classified as assets "to be relinquished free of charge" connected with the hydroelectric water diversion concessions are now considered in the same manner as other categories of "property, plant and equipment" and are therefore depreciated over the economic and technical life of the asset (where this exceeds the term of the concession), as discussed in the section above on the "Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012," which you are invited to consult for more details.

In accordance with Spanish laws 29/1985 and 46/1999, hydroelectric power stations in Spanish territory operate under administrative concessions at the end of which the plants will be returned to the government in good operating condition. The terms of the concessions extend up to 2067. A number of generation companies that operate in Argentina, Brazil and Mexico hold administrative concessions with similar conditions to those applied under the Spanish concession system. These concessions will expire in the period between 2013 and 2088.

As regards the distribution of electricity, the Group is a concession holder in Italy for this service. The concession, gran-

ted by the Ministry for Economic Development, was issued free of charge and terminates on December 31, 2030. If the concession is not renewed upon expiry, the grantor is required to pay an indemnity. The amount of the indemnity will be determined by agreement of the parties using appropriate valuation methods, based on both the balance-sheet value of the assets themselves and their profitability.

In determining the indemnity, such profitability will be represented by the present value of future cash flows. The infrastructure serving the concessions is owned and available to the concession holder. It is recognized under "Property, plant and equipment" and is depreciated over the useful lives of the assets.

Enel also operates under administrative concessions for the distribution of electricity in other countries (including Spain and Romania). These concessions give the right to build and operate distribution networks for an indefinite period of time.

### Infrastructure within the scope of "IFRIC 12 - Service concession arrangements"

Under a "public-to-private" service concession arrangement within the scope of "IFRIC 12 - Service concession arrangements" the operator acts as a service provider and, in accordance with the terms specified in the contract, it constructs/upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for the period of the concession.

The Group, as operator, does not recognize the infrastructure within the scope of IFRIC 12 as property, plant and equipment and it accounts for revenue and costs relating to construction/upgrade services as discussed in the section "Construction contracts." In particular, the Group measures the consideration received or receivable for the construction/upgrading of infrastructure at its fair value and, depending on the characteristics of the service concession arrangement, it recognizes:

> a financial asset, if the operator has an unconditional contractual right to receive cash or another financial asset from the grantor (or from a third party at the direction of the grantor) and the grantor has little discretion to avoid payment. In this case, the grantor contractually guarantees to pay to the operator specified or determinable amounts or the shortfall between the amounts received from the users of the public service and specified or determinable amounts (defined by the contract), and such payments are not dependent on the usage of the infrastructure; and/or

> an intangible asset, if the operator receives the right (a license) to charge users of the public service provided. In such a case, the operator does not have an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

If the Group (as operator) has a contractual right to receive an intangible asset (the right to charge users of the public service), borrowing costs are capitalized using the criteria specified in the section "Property, plant and equipment".

During the operating phase of concession arrangements, the Group accounts for operating service payments in accordance with criteria specified in the section "Revenue".

### Leases

The Group holds property, plant and equipment and intangible assets for its various activities under lease contracts.

These contracts are analyzed on the basis of the circumstances and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.

A finance lease is defined as a lease that transfers substantially all the risks and rewards incidental to ownership of the related asset to the lessee. All leases that do not meet the definition of a finance lease are classified as operating leases. On initial recognition assets held under finance leases are recognized as property, plant and equipment and the related liability is recognized under long-term borrowings. At inception date finance leases are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments due, including the payment required to exercise any purchase option.

The assets are depreciated on the basis of their useful lives. If it is not reasonably certain that the Group will acquire the assets at the end of the lease, they are depreciated over the shorter of the lease term and the useful life of the assets.

Payment made under operating lease are recognized as a cost on a straight-line basis over the lease term.

Although not formally designated as lease agreements, certain types of contract can be considered as such if the fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and if the arrangement conveys a right to use such assets.

### Investment property

Investment property consists of the Group's real estate held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods and services.

Investment property is measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses.

Investment property, excluding land, is depreciated on a straight-line basis over the useful lives of the assets.

Impairment losses are determined on the basis of criteria discussed below.

The breakdown of the fair value of investment property is detailed in note 45 "Assets measured at fair value." Investment property is derecognized either at the time of its disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets.

## Intangible assets

Intangible assets are identifiable assets without physical substance controlled by the entity and capable of generating future economic benefits. They are measured at purchase or internal development cost when it is probable that the use of such assets will generate future economic benefits and the related cost can be reliably determined.

The cost includes any directly attributable expenses necessary to make the assets ready for their intended use.

Internal development costs are recognized as an intangible asset when both the Group is reasonably assured of the technical feasibility of completing the intangible asset and that the asset will generate future economic benefits and it has intention and ability to complete the asset and use or sell it.

Research costs are recognized as expenses.

Intangible assets with a finite useful life are reported net of accumulated amortization and any impairment losses.

Amortization is calculated on a straight-line basis over the item's estimated useful life, which is reassessed at least annually; any changes in amortization policies are reflected on a prospective basis. Amortization commences when the asset is ready for use. Consequently, intangible assets not yet available for use are not amortized, but are tested for impairment at least annually.

The Group's intangible assets have a definite useful life, with the exception of a number of concessions and goodwill.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supporta-

ble. If not, the change in useful life from indefinite to finite is accounted for as a change in accounting estimate.

Intangible assets are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets. The estimated useful life of the main intangible assets, distinguishing between internally generated and acquired assets, is as follows:

Development costs:	
- internally generated	3-5 years
- acquired	3-5 years
Industrial patents and intellectual property rights:	
- internally generated	5 years
- acquired	3-25 years
Concessions, licenses, trademarks and similar rights:	
- internally generated	-
- acquired	2-60 years
Other:	
- internally generated	2-5 years
- acquired	-

## Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, as measured at fair value at the acquisition date, and the value of any non-controlling interests over the net fair value of the acquiree's identifiable assets and liabilities. After initial recognition, goodwill is not amortized, but is tested for recoverability at least annually using the criteria discussed in the section "Impairment of non-financial assets." For the purpose of impairment testing, goodwill is allocated, from the acquisition date, to each of the identified cash generating units. Goodwill relating to equity investments in associates and joint ventures is included in their carrying amount.

## Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is evidence of impairment. If such evidence exists, the recoverable amount of any involved asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

In order to determine the recoverable amount of property, plant and equipment, intangible assets and goodwill, the



Group generally adopts the value-in-use criterion.

The value in use is represented by the present value of the estimated future cash flows generated by the asset in question. Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.

The future cash flows used to determine value in use are based on the most recent business plan, approved by the management, containing forecasts for volumes, revenue, operating costs and investments.

These projections cover the next five years. Consequently, cash flows related to subsequent periods are determined on the basis of a long-term growth rate that does not exceed the average long-term growth rate for the particular sector and country.

The recoverable amount of assets that do not generate independent cash flows is determined based on the cash generating unit to which the asset belongs.

If the carrying amount of an asset or of a cash generating unit to which it is allocated is higher than its recoverable amount, an impairment loss is recognized in profit or loss under "Depreciation, amortization and impairment losses".

Impairment losses of cash generating units are firstly charged against the carrying amount of any goodwill attributed to it and then against the other assets, in proportion to their carrying amount.

If the reasons for a previously recognized impairment loss no longer obtain, the carrying amount of the asset is restored through profit or loss, under "Depreciation, amortization and impairment losses", in an amount that shall not exceed the net carrying amount that the asset would have had if the impairment loss had not been recognized and depreciation or amortization had been performed. The original value of goodwill is not restored even if in subsequent years the reasons for the impairment no longer obtain.

The recoverable amount of goodwill and intangible assets with an indefinite useful life and intangible assets not yet available for use is tested for recoverability annually or more frequently if there is evidence suggesting that the assets may be impaired.

If certain specific identified assets owned by the Group are impacted by adverse economic or operating conditions that undermine their capacity to contribute to the generation of cash flows, they can be isolated from the rest of the assets of the cash generating unit, undergo separate analysis of their recoverability and are impaired where necessary.

## Inventories

Inventories are measured at the lower of cost and net realizable value except for inventories involved in trading activities, which are measured at fair value with recognition through profit or loss. Cost is determined on the basis of average weighted cost, which includes related ancillary charges. Net estimated realizable value is the estimated normal selling price net of estimated costs to sell or, where applicable, replacement cost.

For the portion of inventories held to discharge sales that have already been made, the net realizable value is determined on the basis of the amount established in the contract of sale.

Inventories include environmental certificates (green certificates, energy efficiency certificates and CO<sub>2</sub> emissions allowances) that were not utilized for compliance in the reporting period. As regards CO<sub>2</sub> emissions allowances, inventories are allocated between the trading portfolio and the compliance portfolio, i.e. those used for compliance with greenhouse gas emissions requirements. Within the latter, CO<sub>2</sub> emissions allowances are allocated to sub-portfolios on the basis of the compliance year to which they have been assigned.

Inventories also include nuclear fuel stocks, use of which is determined on the basis of the electricity generated.

Materials and other consumables (including energy commodities) held for use in production are not written down if it is expected that the final product in which they will be incorporated will be sold at a price sufficient to enable recovery of the cost incurred.

## Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and contract costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period. Under this criteria, revenue, expenses and profit are attributed in proportion to the work completed.

When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is recognized as an expense immediately, regardless of the stage of completion of the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The stage of completion of the contract in progress is determined, using the cost-to-cost method, as a ratio between costs incurred for work performed to the reporting date and the estimated total contract costs. In addition to initial amount of revenue agreed in the contract, contract revenue includes any payments in respect of variations, claims and incentives, to the extent that it is probable that they will result in revenue and can be reliably measured.

The amount due from customers for construction contract is presented as an asset; the amount due to customers for construction contract is presented as a liability.

## Financial instruments

Financial instruments are recognized and measured in accordance with IAS 32 and IAS 39.

A financial asset or liability is recognized in the consolidated financial statements when, and only when, the Group becomes party to the contractual provisions of the instrument (the trade date).

Financial instruments are classified as follows under IAS 39:

- > financial assets and liabilities at fair value through profit or loss;
- > held-to-maturity financial assets;
- > loans and receivables;
- > available-for-sale financial assets;
- > financial liabilities at amortized cost.

### Financial assets and liabilities at fair value through profit or loss

This category includes: securities, equity investments in entities other than subsidiaries, associates and joint ventures and investment funds held for trading or designated as at fair value through profit or loss at the time of initial recognition. Financial instruments at fair value through profit or loss are financial assets and liabilities:

- > classified as held for trading because acquired or incurred principally for the purpose of selling or repurchasing at short term;
- > designated as such upon initial recognition, under the option allowed by IAS 39 (the fair value option).

Such financial assets and liabilities are initially recognized at fair value with subsequent gains and losses from changes in their fair value recognized through profit or loss.

### Held-to-maturity financial assets

This category comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, quoted

on an active market and not representing equity investments, for which the Group has the positive intention and ability to hold until maturity. They are initially recognized at fair value, including any transaction costs, and subsequently measured at amortized cost using the effective interest method.

### Loans and receivables

This category mainly includes trade receivables and other financial receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted on an active market, other than those the Group intends to sell immediately or in the short term (which are classified as held for trading) and those that the Group, on initial recognition, designates as either at fair value through profit or loss or available for sale. Such assets are initially recognized at fair value, adjusted for any transaction costs, and are subsequently measured at amortized cost using the effective interest method, without discounting unless material.

### Available-for-sale financial assets

This category mainly includes listed debt securities not classified as held to maturity and equity investments in other entities (unless classified as "designated as at fair value through profit or loss"). Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

These financial instruments are measured at fair value with changes in fair value recognized in other comprehensive income.

At the time of sale, or when a financial asset available for sale becomes an investment in a subsidiary as a result of successive purchases, the cumulative gains and losses previously recognized in equity are reversed to the income statement.

When the fair value cannot be determined reliably, these assets are recognized at cost adjusted for any impairment losses.

### Impairment of financial assets

At each reporting date, all financial assets classified as loans and receivables (including trade receivables), held to maturity or available for sale, are assessed in order to determine if there is objective evidence that an asset or a group of financial assets is impaired.

An impairment loss is recognized if and only if such evidence



exists as a result of one or more events that occurred after initial recognition and that have an impact on the future cash flows of the asset and which can be estimated reliably.

Objective evidence of an impairment loss includes observable data about, for example:

- > significant financial difficulty of the issuer or obligor;
- > a breach of contract, such as a default or delinquency in interest or principal payments;
- > evidence that the borrower will enter bankruptcy or other form of financial reorganization;
- > a measurable decrease in estimated future cash flows.

Losses that are expected to arise as a result of future events are not recognized.

For financial assets classified as loans and receivables or held to maturity, once an impairment loss has been identified, its amount is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the original effective interest rate. This amount is recognized in profit or loss. The carrying amount of trade receivable is reduced through use of an allowance account.

If the amount of a past impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment is reversed through profit or loss.

Further factors are considered in case of impairment of available-for-sale equity investments, such as significant adverse changes in the technological, market, economic or legal environment.

A significant or prolonged decline in fair value constitutes objective evidence of impairment and, therefore, the fair value loss previously recognized in other comprehensive income is reclassified from equity to income.

The amount of the cumulative loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss. An impairment loss on an available-for-sale equity investment cannot be reversed.

If there is objective evidence of impairment for unquoted equity instruments measured at cost because fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the current rate of interest for a similar financial asset. Reversal of impairment are not permitted in these cases either.

The amount of the impairment loss on a debt instrument classified as available for sale, to be reclassified from equity,

is the cumulative fair value loss recognized in other comprehensive income. Such impairment loss is reversed through profit or loss if the fair value of the debt instrument objectively increases as a result of an event that occurred after the impairment loss was recognized.

## Cash and cash equivalents

This category includes deposits that are available on demand or at very short term, as well as highly liquid short-term financial investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

In addition, for the purpose of the consolidated statement of cash flows, cash and cash equivalents do not include bank overdrafts at period-end.

## Financial liabilities at amortized cost

This category mainly includes borrowings, trade payables, finance lease obligations and debt instruments.

Financial liabilities other than derivatives are recognized when the Group becomes a party to the contractual clauses of the instrument and are initially measured at fair value adjusted for directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

## Derivative financial instruments

A derivative is a financial instrument or another contract:

- > whose value changes in response to the changes in an underlying variable such as an interest rate, commodity or security price, foreign exchange rate, a price or rate index, a credit rating or other variable;
- > that requires no initial net investment, or an initial net investment that is smaller than would be required for a contract with a similar response to changes in market factors;
- > that is settled at a future date.

Derivative instruments are classified as financial assets or liabilities depending on whether their fair value is positive or negative and they are classified as "held for trading" and measured at fair value through profit or loss, except for those designated as effective hedging instruments.

For more details about hedge accounting, please see note 44 "Derivatives and hedge accounting".

All derivatives held for trading are classified as current assets or liabilities.

Derivatives not held for trading purposes but measured at fair value through profit or loss since they do not qualify for hedge accounting and derivatives designated as effective hedging

instruments are classified as current or non-current on the basis of their maturity date and the Group's intention to hold the financial instrument until maturity or not.

## Embedded derivatives

An embedded derivative is a derivative included in a "combined" contract (the so-called "hybrid instrument") that contains another non-derivative contract (the so-called "host contract") and gives rise to some or all of the combined contract's cash flows.

The main Group contracts that may contain embedded derivatives are contracts to buy or sell non-financial items with clauses or options that affect the contract price, volume or maturity.

Such contracts, which do not represent financial instruments to be measured at fair value, are analyzed in order to identify any embedded derivatives, which are to be separated and measured at fair value. This analysis is performed when the Group becomes party to the contract or when the contract is renegotiated in a manner that significantly changes the original associated cash flows. Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- > host contract is not a financial instrument measured at fair value through profit or loss;
- > the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- > a separate contract with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are separated from the host contract are recognized in the consolidated financial statements at fair value with changes recognized through profit or loss (except when the embedded derivative is part of a designated hedging relationship).

## Contracts to buy or sell non-financial items

In general, contracts to buy or sell non-financial items that are entered into and continue to be held for receipt or delivery, in accordance with the Group's normal expected purchase, sale or usage requirements, do not fall within the scope of IAS 39 and are then recognized in accordance with the accounting treatment of such transactions (the "own use exemption").

Such contracts are recognized as derivatives and, as a consequence, at fair value through profit or loss only if:

- > they can be settled net in cash; and
- > they are not entered into in accordance with the Group's expected purchase, sale or usage requirements.

A contract to buy or sell non-financial items is classified as a "normal purchase or sale" if it is entered into:

- > for the purpose of physical delivery;
- > in accordance with the Group's expected purchase, sale or usage requirements.

The Group analyses all contracts to buy or sell non-financial assets, with a specific focus on forward purchases and sales of electricity and energy commodities, in order to determine if they should be classified and treated in accordance with IAS 39 or if they have been entered into for "own use".

## Derecognition of financial assets and liabilities

Financial assets are derecognized whenever one of the following conditions is met:

- > the contractual right to receive the cash flows associated with the asset expires;
- > the Group has transferred substantially all the risks and rewards associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to pay such cash flows to one or more beneficiaries under a contract that meets the requirements established by IAS 39 (the "pass through test");
- > the Group has not transferred or retained substantially all the risks and rewards associated with the asset but has transferred control over the asset.

Financial liabilities are derecognized when they are extinguished, i.e. when the contractual obligation has been discharged, cancelled or expired.

## Offsetting financial assets and liabilities

The Group offsets financial assets and liabilities when:

- > there is a legally enforceable right to set off the recognized amounts; and
- > it has the intention of either settling on a net basis, or realizing the asset and settling the liability simultaneously.

## Employee benefits

Liabilities related to employee benefits paid upon or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance sheet date (the projected unit credit method). More specifically, the present value of the defined benefit obligation is calculated

by using a discount rate determined on the basis of market yields at the end of the reporting period on high-quality corporate bonds.

The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries.

If the value of plan assets exceeds the present value of the related defined benefit obligation, the surplus (up to the limit of any cap) is recognized as an asset.

As regards the liabilities/(assets) of defined benefit plans, the cumulative actuarial gains and losses from the actuarial measurement of the liabilities, the return on the plan assets (net of the associated interest income) and the effect of the asset ceiling (net of the associated interest income) are recognized in other comprehensive income when they occur. For other long-term benefits, the related actuarial gains and losses are recognized through profit or loss.

In the event of a change being made to an existing defined benefit plan or the introduction of a new plan, any past service cost is recognized immediately in profit or loss.

Employees are also enrolled in defined contribution plans under which the Group pays fixed contributions to a separate entity (a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Such plans are usually aimed to supplement pension benefits due to employees post-employment. The related costs are recognized in income statement on the basis of the amount of contributions paid in the period.

## Termination benefits

Liabilities for benefits due to employees for the early termination of the employment relationship, both as a result of a decision by the Group or an employee's decision to accept voluntary redundancy in exchange for these benefits, are recognized at the earlier of the following dates:

- > when the Group can no longer withdraw its offer of benefits; and
- > when the Group recognizes a cost for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

The liabilities are measured on the basis of the nature of the employee benefits. More specifically, when the benefits represent an enhancement of other post-employment benefits, the associated liability is measured in accordance with the rules governing that type of benefit. Otherwise, if

the termination benefits due to employees are expected to be settled wholly before 12 months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for short-term employee benefits; if they are not expected to be settled wholly before 12 months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for other long-term employee benefits.

## Provisions for risks and charges

Provisions are recognized where there is a legal or constructive obligation as a result of a past event at the end of the reporting period, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated. Where the impact is not immaterial, the accruals are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and, if applicable, the risks specific to the liability. If the provision is discounted, the periodic adjustment of the present value for the time factor is recognized as a financial expense.

When the Group expects some or all of the expenditure required to extinguish a liability will be reimbursed by a third party, the reimbursement is recognized as a separate asset if such reimbursement is virtually certain.

Where the liability relates to plant decommissioning and/or site restoration, the initial recognition of the provision is made against the related asset and the expense is then recognized in profit or loss through the depreciation of the asset involved.

Where the liability regards the treatment and storage of nuclear waste and other radioactive materials, the provision is recognized against the related operating costs.

In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), the Group recognizes a provision as the lower of the costs of fulfilling the obligation that exceed the economic benefits expected to be received under the contract and any compensation or penalty arising from failure to fulfil it.

Changes in estimates of accruals to the provision are recognized in the income statement in the period in which the changes occur, with the exception of those in respect of the costs of decommissioning, dismantling and/or restoration resulting from changes in the timetable and costs necessary to extinguish the obligation or from a change in the discount rate. These changes increase or decrease the value of the related

assets and are taken to the income statement through depreciation. Where they increase the value of the assets, it is also determined whether the new carrying amount of the assets is fully recoverable. If this is not the case, a loss equal to the unrecoverable amount is recognized in the income statement. Decreases in estimates are recognized up to the carrying amount of the assets. Any excess is recognized immediately in the income statement.

For more information on the estimation criteria adopted in determining liabilities for plant dismantling and site restoration, especially those associated with nuclear power plants or the storage of waste fuel and other radioactive materials, please see the section on the use of estimates.

## Government grants

Government grants, including non-monetary grants at fair value, are recognized where there is reasonable assurance that they will be received and that the Group will comply with all conditions attaching to them as set by the government, government agencies and similar bodies whether local, national or international.

When loans are provided by governments at a below-market rate of interest, the benefit is regarded as a government grant. The loan is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying amount of the loan and the funds received. The loan is subsequently measured in accordance with the requirements for financial liabilities.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the costs that the grants are intended to compensate.

Where the Group receives government grants in the form of a transfer of a non-monetary asset for the use of the Group, it accounts for both the grant and the asset at the fair value of the non-monetary asset received at the date of the transfer.

Grants related to long-lived assets, including non-monetary grants at fair value, i.e. those received to purchase, build or otherwise acquire non-current assets (for example, an item of property, plant and equipment or an intangible asset), are recognized on a deferred basis under other liabilities and are credited to profit or loss on a straight-line basis over the useful life of the asset.

## Environmental certificates

Some Group companies are affected by national regulations governing green certificates and energy efficiency certifica-

tes (so-called white certificates), as well as the European "Emissions Trading System".

Green certificates accrued in proportion to electricity generated by renewable energy plants and energy efficiency certificates accrued in proportion to energy savings achieved that have been certified by the competent authority are treated as non-monetary government operating grants and are recognized at fair value, under other revenue and income, with recognition of an asset under other non-financial assets, if the certificates are not yet credited to the ownership account, or under inventories, if the certificates have already been credited to that account. At the time the certificates are credited to the ownership account, they are reclassified from other assets to inventories.

Revenue from the sale of such certificates are recognized under revenue from sales and services, with a corresponding decrease in inventories.

For the purposes of accounting for charges arising from regulatory requirements concerning green certificates, energy efficiency certificates and CO<sub>2</sub> emissions allowances, the Group uses the "net liability approach".

Under this accounting policy, environmental certificates received free of charge and those self-produced as a result of Group's operations that will be used for compliance purposes are recognized at nominal value (nil). In addition, charges incurred for obtaining (in the market or in some other transaction for consideration) any missing certificates to fulfil compliance requirements for the reporting period are recognized through profit or loss on an accruals basis under other operating expenses, as they represent "system charges" consequent upon compliance with a regulatory requirement.

## Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use.

This classification criteria is applicable only when non-current assets (or disposal groups) are available in their present condition for immediate sale and the sale is highly probable. If the Group is committed to a sale plan involving loss of control of a subsidiary and the requirements provided for under IFRS 5 are met, all the assets and liabilities of that subsidiary are classified as held for sale when the classification criteria

are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

The Group applies these classification criteria as envisaged in IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.

Non-current assets (or disposal groups) and liabilities of disposal groups classified as held for sale are presented separately from other assets and liabilities in the balance sheet.

The amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale are not reclassified or re-presented for prior periods presented.

Immediately before the initial classification of non-current assets (or disposal groups) as held for sale, the carrying amounts of such assets (or disposal groups) are measured in accordance with the IFRS-EU applicable to the specific assets or liabilities. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses for any initial or subsequent writedown of the assets (or disposal groups) to fair value less costs to sell and gains for their reversals are included in profit or loss from continuing operations.

Non-current assets are not depreciated (or amortized) while they are classified as held for sale or while they are part of a disposal group classified as held for sale.

If the classification criteria are no longer met, the Group ceases to classify non-current assets (or disposal group) as held for sale. In that case they are measured at the lower of:

- > the carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized if the asset (or disposal group) had not been classified as held for sale; and
- > the recoverable amount, which is equal to the greater of its fair value net of costs of disposal and its value in use, as calculated at the date of the subsequent decision not to sell.

Any adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- > represents a separate major line of business or geographical area of operations;
- > is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- > is a subsidiary acquired exclusively with a view to resale.

The Group presents, in a separate line item of the income statement, a single amount comprising the total of:

- > the post-tax profit or loss of discontinued operations; and
- > the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.

The corresponding amount is re-presented in the income statement for prior periods presented in the financial statements, so that the disclosures relate to all operations that are discontinued by the end of the current reporting period. If the Group ceases to classify a component as held for sale, the results of the component previously presented in discontinued operations are reclassified and included in income from continuing operations for all periods presented.

## Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account. Therefore, in an agency relationship, the amount collected on behalf of the principal are excluded from revenue.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the Group.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue.

In arrangements under which the Group will perform multiple revenue-generating activities (a multiple-element arrangement), the recognition criteria are applied to the separately identifiable components of the transaction in order to reflect the substance of the transaction or to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.

More specifically, the following criteria are used depending on the type of transaction:

- > revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer and their amount can be reliably determined;
- > revenue from the sale of electricity and gas is recognized when these commodities are supplied to the customer and regard the quantities provided during the period, even if these have not yet been invoiced. It is determined using estimates as well as periodic meter readings. Where applicable, this revenue is based on the rates and related restrictions established by law or the Authority for Electricity, Gas and the Water System ("the Authority") and analogous foreign authorities during the applicable period;
- > revenue from the transport of electricity is recognized when the services are rendered to distribution customers even if they have not yet been invoiced. That revenue is determined on the basis of the amounts that have actually transited along the distribution network, net of estimated losses. Where provided for in the specific local regulations, such revenue is adjusted to take account of the restrictions and mandatory rates established by the Authority in Italy or the equivalent national organizations in other countries. In particular, in setting restrictions and mandatory rates, each authority covers the costs incurred for investments in the network, the associated remuneration based on an appropriate rate of return on capital and the timing with which those amounts are incorporated in rates.  
Where the inclusion of the investments in rates, which gives rise to the operator's right to receive the amount, in the year in which they are carried out is already virtually certain, the revenue is recognized on an accrual basis, regardless of the financial mechanism used to pay it.  
These arrangements reflect the provision of Authority Resolution 654/2015 concerning the definition of the criteria for the new rate period for distribution and metering in force for the regulatory cycle (2016-2023). For more details on the changes introduced with that resolution, please see the report on operations;
- > revenue from the rendering of services is recognized by reference to the stage of completion of services at the end of the reporting periods in which the services are rendered. The stage of completion of the transaction is determined based on an assessment of the service rendered as a percentage of the total services to be rendered or as costs incurred as a proportion of the estimated total costs of the transaction. When it is not possible to reliably determine the value of the revenue, it is recognized

only to the extent of the expenses recognized that are recoverable;

- > revenue associated with construction contracts is recognized as specified in the section "Construction contracts";
- > revenue from monetary and in-kind fees for connection to the electricity distribution network is recognized in full upon completion of connection activities if the service supplied is identified. If more than one separately identifiable service is identified, the fair value of the total consideration received or receivable is allocated to each service and the revenue related to the service performed in the period is recognized; in particular, if any ongoing services (electricity distribution services) are identified, the related revenue is generally determined by the terms of the agreement with the customer or, when such an agreement does not specify a period, over a period no longer than the useful life of the transferred asset;
- > revenue from rentals and operating leases is recognized on an accruals basis in accordance with the substance of the relevant agreement.

## Financial income and expense from derivatives

Financial income and expense from derivatives includes:

- > income and expense from derivatives measured at fair value through profit or loss on interest rate and exchange risks;
- > income and expense from fair value hedge derivatives on interest rate risk;
- > income and expense from cash flow hedge derivatives on interest rate and exchange risks.

## Other financial income and expense

For all financial assets and liabilities measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income and expense is recorded using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured.

Other financial income and expense also includes changes in the fair value of financial instruments other than derivatives.



## Income taxes

### Current income taxes

Current income taxes for the period, which are recognized under “income tax payable” net of payments on account, or under “tax receivables” where there is a credit balance, are determined using an estimate of taxable income and in conformity with the applicable regulations.

In particular, such payables and receivables are determined using the tax rates and tax laws that are enacted or substantively enacted as at the end of the reporting period.

Current income taxes are recognized in profit or loss with the exception of current income taxes related to items recognized outside profit or loss that are recognized in equity.

### Deferred tax items

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which is determined on the basis of tax rates that are enacted or substantively enacted as at end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset.

The recoverability of deferred tax assets is reviewed at each period-end.

Unrecognized deferred tax assets are re-assessed at each reporting date and they are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred taxes are recognized in profit or loss, with the exception of those in respect of items recognized outside profit or loss that are recognized in equity.

Deferred tax assets and deferred tax liabilities are offset against current tax liabilities relate to income taxes levied by

the same taxation authority that arise at the time of reversal if a legally enforceable right to set-off exists.

## Dividends

Dividends are recognized when the right to receive payment is established.

Dividends and interim dividends payable to a company's shareholders are recognized as changes in equity in the period in which they are approved by the shareholders' meeting and the board of directors, respectively.

## 3

## Recently issued accounting standards

### New accounting standards applied in 2015

The Group adopted the following interpretation and amendments to existing standards with effect as from January 1, 2015.

- > “IFRIC 21 - *Levies*”; the interpretation addresses the accounting treatment of a liability in respect of the obligation to pay a levy that is not covered by another standard (for example, income taxes), other than fines or sanctions imposed for violations of the law, due to the government, whether local, national or international. More specifically, the interpretation established that the liability shall be recognized when the obligating event giving rise to the liability to pay the levy, as set out in the applicable law, occurs. If the obligating event occurs over a specified period of time (for example, the generation of revenue over a specified period of time), the liability shall be recognized gradually over that period. If the obligation to pay the levy is triggered upon reaching a given threshold (for example, upon reaching a minimum amount of revenue generated), the corresponding liability is recognized at the time the threshold is reached. The application of IFRIC 21 did not give rise, on an annual basis, to any restatement of comparative figures, although during the year it did give rise to a number of changes in the interim income statement.
- > “Annual improvements to IFRSs 2011-2013 cycle”; the document contains formal modifications and clarifications

of existing standards. More specifically, the following standards were amended:

- “IFRS 3 - *Business combinations*”; the amendment clarifies that IFRS 3 does not apply to the financial statements of a joint arrangement in accounting for the formation of the joint arrangement itself;
- “IFRS 13 - *Fair value measurement*”; the amendment clarifies that the exception provided for in that standard of measuring financial assets and liabilities on the basis of the net exposure of the portfolio (the “portfolio exception”) shall apply to all contracts within the scope of IAS 39 or IFRS 9 even if they do not meet the definitions in IAS 32 of financial assets or liabilities;
- “IAS 40 - *Investment property*”; the amendment clarifies that management judgment must be used to determine whether the acquisition of an investment property represents the acquisition of an asset or group of assets or is a business combination under the provisions of IFRS 3. That judgment must be consistent with the guidance of IFRS 3.

“Annual improvements to IFRSs 2011-2013 cycle” amended the Basis for Conclusions of “IFRS 1 - *First-time adoption of International Financial Reporting Standards*” to clarify that a first-time adopter may adopt a new IFRS whose adoption is not yet mandatorily effective if the new IFRS permits early application.

## Accounting standards taking effect at a future date

The following new standards, amendments and interpretations take effect after December 31, 2015:

- > “IFRS 9 - *Financial instruments*”; the final version was issued on July 24, 2014, replacing the existing “IAS 39 - *Financial instruments: recognition and measurement*” and supersedes all previous versions of the new standard. The standard will take effect as from January 1, 2018 and early application will be permitted following endorsement. The final version of IFRS 9 incorporates the results of the three phases of the project to replace IAS 39 concerning classification and measurement, impairment and hedge accounting.

As regards the classification of financial instruments, IFRS 9 provides for a single approach for all types of financial asset, including those containing embedded derivatives, under which financial assets are classified in their entirety, without the application of complex subdivision methods.

In order to determine how financial assets should be classified and measured, consideration must be given to the business model used to manage its financial assets and the characteristics of the contractual cash flows. If the objective of the business model is to collect contractual cash flows, financial assets are measured at amortized costs. If however the objective is to collect contractual cash flows and those from sales, they are measured at fair value through other comprehensive income (FVTOCI), which enables the recognition of interest calculated using the amortized cost method through profit or loss and the fair value of the financial asset through OCI. Financial assets at fair value through profit or loss (FVTPL) is now a residual category that comprises financial instruments that are not held under one of the two business models indicated above.

As regards the classification and measurement of financial liabilities, IFRS 9 maintains the accounting treatment envisaged in IAS 39, making limited amendments, for which most of such liabilities are measured at amortized cost. The standard does introduce new provisions for financial liabilities designated as fair value through profit or loss, under which in certain circumstances the portion of changes in fair value due to own credit risk shall be recognized through OCI rather than profit or loss. This part of the standard may be applied early, without having to apply the entire standard.

Finally, the standard proposes a new model that gives users of financial statements more information on “expected credit losses”; adopting a single approach for all financial assets. It envisages:

- a) the recognition of expected credit losses on an ongoing basis and the updating of the amount of such losses at the end of each reporting period, with a view to reflecting changes in the credit risk of the financial instrument;
- b) the measurement of expected losses on the basis of reasonable information, obtainable without undue cost, about past events, current conditions and forecasts of future conditions;
- c) an improvement of disclosures on expected losses and credit risk.

IFRS 9 also introduces a new approach to hedge accounting, enabling entities to reflect their risk management activities in the financial statements, extending the criteria for eligibility as hedged items to the risk components of non-financial elements, to net positions, to layer components and to aggregate exposures (e.g. a combi-



nation of a non-derivative exposure and a derivative). The most significant changes regarding hedging instruments compared with the hedge accounting approach used in IAS 39 involve the possibility of deferring the time value of an option, the forward element of forward contracts and currency basis spreads (i.e. "hedging costs") in OCI up until the time in which the hedged element impacts profit or loss. IFRS 9 also eliminates the requirement for testing effectiveness under which the results of the retrospective test needed to fall within a range of 80%-125%, allowing entities to rebalance the hedging relationship if risk management objectives have not changed.

The potential impact of the future application of IFRS 9 is still being assessed. The Group immediately established specific working groups to conduct the assessment.

- > "IFRS 14 - *Regulatory deferral accounts*", issued in January 2014. The standard allows first-time adopters to continue to recognize rate-regulated amounts recognized under their previous GAAP at first-time adoption of the International Financial Reporting Standards. The standard may not be adopted by entities that already prepare their financial statements in accordance with the IFRS/IAS. In other words, an entity may not recognize rate-regulated assets and liabilities under IFRS 14 if its current GAAP do not permit such recognition or if the entity has not adopted such accounting treatment as permitted under its current GAAP. The standard shall take effect retrospectively, subject to endorsement, for periods beginning on or after January 1, 2016. The application of the standard will have no impact on the Group.
- > "IFRS 15 - *Revenue from contracts with customers*", issued in May 2014, will replace "IAS 11 - *Construction contracts*", "IAS 18 - *Revenue*", "IFRIC 13 - *Customer loyalty programmes*", "IFRIC 15 - *Agreements for the construction of real estate*", "IFRIC 18 - *Transfers of assets from customers*" and "SIC 31 - *Revenue - Barter transactions involving advertising services*" and will apply to all contracts with customers, with a number of exceptions (for example, lease and insurance contracts, financial instruments, etc.). The new standard establishes a general framework for the recognition and measurement of revenue based on the principle that revenue shall be recognized in a manner that faithfully depicts the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The fundamental principle will be applied on the basis of five key phases: the entity must identify the contract with the customer;

once the contract has been identified, it must identify the performance obligations in the contract, recognizing separable goods or services as separate obligations; the entity must then determine the transaction price, which is represented by the consideration that it expects to obtain; the entity must then allocate the transaction price to the individual obligations identified in the contract on the basis of the individual price of each separable good or service; revenue is recognized when (or if) each individual performance obligation is satisfied through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service.

IFRS 15 also requires complete disclosure concerning the nature, amount, timing and degree of uncertainty of the revenue and cash flows associated with contracts with customers.

The standard shall take effect, subject to endorsement, for periods beginning on or after January 1, 2018. The Group is assessing the potential impact of the future application of the standard. The Group immediately established specific working groups to conduct the assessment.

- > "IFRS 16 - *Leases*", issued in January 2016, replaces the previous standard governing leases, IAS 17, and the associated interpretations. It establishes the criteria for the recognition, measurement and presentation of leases for both the lessor and the lessee and the associated disclosures. Although IFRS 16 does not modify the definition of a lease contract set out in IAS 17, the main change is represented by the introduction of the concept of control within that definition. More specifically, in order to determine whether a contract represents a lease, IFRS 16 requires the lessee to determine whether it has the right to control the use of a given asset for a specified period of time. IFRS 16 eliminates the distinction between operating and finance leases, as required under IAS 17, introducing a single method for recognizing all leases. Under the new approach, the lessee must recognize:
    - a) in the balance sheet, the assets and liabilities in respect of all leases with a term of more than 12 months, unless the underlying asset is of low value; and
    - b) in the income statement, the depreciation of the assets involved in the lease contract separately from the interest connected with the associated liabilities.
- For lessors, IFRS 16 essentially retains the recognition requirements provided for under IAS 17. Accordingly, the lessor shall continue to classify and recognize leases as operating or finance leases. The standard will apply, subject to endorsement, for periods beginning on or after

January 1, 2019. The Group is assessing the potential impact of the future application of the standard.

- > "Amendments to IAS 1 - *Disclosure initiative*", issued in December 2014. The amendments form part of a broader initiative to improve presentation and disclosure requirements, including changes in the following areas:
  - materiality: the amendments clarify that the concept of materiality applies to all parts of the financial statements and that the inclusion of immaterial information could undermine the utility of financial disclosures;
  - disaggregation and subtotals: the amendments clarify that the line items in the income statement, the statement of comprehensive income and the balance sheet may be disaggregated. They also introduce new requirements concerning the use of subtotals;
  - the structure of the notes: the amendments clarify that entities have a certain degree of flexibility in the order in which the notes to the financial statements may be presented. They also emphasize that in establishing that order the entity must consider the requirements of understandability and comparability of the financial statements;
  - investments accounted for using the equity method: the entity's share of OCI of investments in equity-accounted associates and joint ventures must be split between the portion recyclable and that not recyclable to profit and loss; such portion must be presented as separate line items in the statement of comprehensive income depending whether they will subsequently be reclassified to profit or loss.

The amendments will take effect for periods beginning on or after January 1, 2016. The Group does not expect the future application of the amendments to have an impact.

- > "Amendments to IAS 7 - *Disclosure initiative*", issued in January 2016. The amendments apply to liabilities and assets arising from financing activities, which are defined as liabilities and assets for which cash flows were, or will be, classified in the statement of cash flows as "cash flows from financing activities". The amendments require disclosure of changes in such liabilities/assets, distinguishing between cash flow changes and non-cash variations (i.e. variations arising from obtaining or losing control of a subsidiary or other businesses, the effect of changes in foreign exchange rates and changes in fair values). The IASB suggests providing such disclosure in a reconciliation between the opening and closing balances for the period for such liabilities/assets. The amendments will take effect for periods beginning on or after January

1, 2017. The Group does not expect the future application of the amendments to have an impact.

- > "Amendments to IAS 12 - *Recognition of deferred tax assets for unrealised losses*", issued in January 2016. The amendments clarify the recognition of deferred tax assets in respect of debt instruments measured at fair value. More specifically, the amendments clarify the requirements for recognizing deferred tax assets for unrealized losses in order to eliminate differences in accounting treatment. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2017. Early application is permitted. The Group is assessing the potential impact of the future application of the amended standard.
- > "Amendments to IAS 19 - *Defined benefit plans: employees contributions*", issued in November 2013. The amendments are intended to clarify how to recognize contributions from employees within a defined benefit plan. More specifically, contributions linked to service should be recognized as a reduction in service cost:
  - over the periods in which employees render their services, if the amount of the contributions is dependent on the number of years of service; or
  - in the period in which the service is rendered, if the amount of the contributions is independent of the number of years of service.

The amendments will take effect for the Group as from January 1, 2016. The Group does not expect the future application of the amendments to have an impact.

- > "Amendments to IAS 27 - *Equity method in separate financial statements*" issued in August 2014. The amendments permit the use of the equity method for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments also clarify a number of issues concerning investment entities. Specifically, when an entity ceases to be an investment entity, it must recognize investments in subsidiaries in accordance with IAS 27. Conversely, when an entity becomes an investment entity, it must recognize investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9. The amendments will take effect for periods beginning on or after January 1, 2016. As the amendments regard the separate financial statements only, they are not expected to have an impact on the consolidated financial statements.
- > "Amendments to IFRS 11 - *Accounting for acquisitions of interests in joint operations*", issued in May 2014. The amendments clarify the accounting treatment of the ac-

acquisition of an interest in a joint operation that is business, pursuant to IFRS 3, requiring the application of all the accounting rules for business combinations under IFRS 3 and other applicable IFRS with the exception of those standards that conflict with the guidance on IFRS 11. Under the amendments, a joint operator that acquires such interests must measure the identifiable assets and liabilities at fair value; expense acquisition-related costs (with the exception of debt or equity issuance costs); recognize deferred taxes; recognize any goodwill or bargain purchase gain; perform impairment tests for the cash generating units to which goodwill has been allocated; and disclose information required for relevant business combinations. The amendments will take effect for periods beginning on or after January 1, 2016.

- > “Amendments to IAS 16 and IAS 38 - *Clarification of acceptable methods of depreciation and amortization*”, issued in May 2014. The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. The provisions of IAS 16 have been amended to clarify that a revenue-based depreciation method asset is not appropriate. The provisions of IAS 38 have been amended to introduce a presumption that a revenue-based amortization method is inappropriate. That presumption can be overcome when:

- the intangible asset is expressed as a measure of revenue;
- it can be demonstrated that revenue and the consumption of the economic benefit generated by an intangible asset are highly correlated.

The amendments will take effect prospectively for periods beginning on or after January 1, 2016. The Group is assessing the impact of the future application of the amendments.

- > “Amendments to IAS 16 and IAS 41 - *Bearer plants*”, issued in June 2014. The amendments change the accounting treatment of biological assets that meet the definition of “bearer plants”, such as fruit trees, that currently fall within the scope of “IAS 16 - *Property, plant and equipment*”. As a consequence, they will be subject to all of the provisions of that standard. Accordingly, for measurement subsequent to initial recognition, the entity may choose between the cost model and the revaluation model. The agricultural products produced by the bearer plants (e.g. fruit) will remain within the scope of “IAS 41 - *Agriculture*”. The amendments will take effect for periods beginning on or after January 1, 2016.

The Group does not expect the future application of the amendments to have an impact.

- > “Amendments to IFRS 10 and IAS 28 - *Sale or contribution of assets between an investor and its associate or joint venture*”, issued in September 2014. The amendments establish that in the case of the sale or contribution of assets to a joint venture or an associate, or the sale of an interest that gives rise to a loss of control while maintaining joint control or significant influence over the associate or joint venture, the amount of the gain or loss recognized shall depend on which of the assets or interest constitute a business in accordance with “IFRS 3 - *Business combinations*”. More specifically, if the assets/interest constitute a business, any gain/(loss) shall be recognized in full; if the assets/interest does not constitute a business, any gain/(loss) shall only be recognized to the extent of the unrelated investors’ interests in the associate or joint venture, who represent the counterparties in the transaction. The EFRAG has recommended that the European Commission postpone endorsement of the amendments until the IASB completes its project on the elimination of gains and losses on transactions between an entity and its associates or joint ventures.
- > “Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment entities: applying the consolidation exception*”, issued in December 2014. The amendments clarify that if a parent entity (or intermediate parent) prepares its financial statements in conformity with IFRS 10 (including the case of an investment entity that does not consolidate its investments in subsidiaries but rather measures them at fair value), the exemption from preparing consolidated financial statements is available to the subsidiaries of an investment entity that in turn qualify as investment entities. In addition, the amendments also clarify that a parent entity that qualifies as an investment entity must consolidate a subsidiary that provides services related to the parent’s investment activities if the subsidiary is not itself an investment entity. The amendments also simplify application of the equity method for an entity that is not an investment entity but holds an interest in an associate or joint venture that is an investment entity. In particular, when applying the equity method, the entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2016. The Group does not expect the future application of the amendments to have an impact.

> “Annual improvements to IFRSs 2010-2012 cycle”, issued in December 2013; the document contains formal modifications and clarifications of existing standards applicable to the Group as from January 1, 2016 that are not expected to have a significant impact on the Group. More specifically, the following standards were amended:

- “IFRS 2 - *Share-based payment*”; the amendment separates the definitions of “performance conditions” and “service conditions” from the definition of “vesting conditions” in order to clarify the description of each condition;
- “IFRS 3 - *Business combinations*”; the amendment clarifies how to classify any contingent consideration agreed in a business combination. Specifically, the amendment establishes that if the contingent consideration meets the definition of financial instrument, it shall be classified as a financial liability or equity. In the former case, the liability shall be measured at fair value and changes in fair value shall be recognized in profit or loss in accordance with IFRS 9. Contingent consideration that does not meet the definition of financial instrument shall be measured at fair value and changes in fair value shall be recognized in profit or loss;
- “IFRS 8 - *Operating segments*”; the amendments introduce new disclosure requirements in order to enable the users of financial statements to understand the judgments adopted by management in aggregating operating segments and the reasons for such aggregation. The amendments also clarify that the reconciliation of total segment assets and total assets of the entity is required only if provided periodically by management;
- “IAS 16 - *Property, plant and equipment*”; the amendment clarifies that, when an item of property, plant and equipment is revalued, the gross carrying amount of that asset shall be adjusted in a manner consistent with the revaluation of the carrying amount. In addition, it also clarifies that the accumulated depreciation shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses;
- “IAS 24 - *Related party disclosures*”; the amendment clarifies that a management entity, i.e. an entity providing key management personnel services to an entity, is a related party of that entity. Accordingly, in addition to fees for services paid or payable to the management entity, the entity must report other transactions with the management entity, such as loans, within the di-

sclosures required under IAS 24 for related parties. The amendment also clarifies that if an entity obtains key management personnel services from a management entity, the entity is not required to disclose the compensation paid or payable by the management entity to those managers;

- “IAS 38 - *Intangible assets*”; the amendment clarifies that when an intangible asset is revalued, its gross carrying amount shall be adjusted in a manner consistent with the revaluation of the carrying amount. In addition, it also clarifies that the accumulated amortization shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses.

“Annual improvements to IFRSs 2010-2012 cycle” amended the Basis for Conclusions of “IFRS 13 - *Fair value measurement*” to clarify that short-term receivables and payables with no stated interest rate to apply to the invoice amount can still be measured without discounting, if the impact of discounting would not be material.

> “Annual improvements to IFRSs 2012-2014 cycle”, issued in September 2014; the document contains formal modifications and clarifications of existing standards that are not expected to have a significant impact on the Group. More specifically, the following standards were amended:

- “IFRS 5 - *Non-current assets held for sale and discontinued operations*”; the amendments clarify that the reclassification of an asset (or disposal group) from held for sale to held for distribution should not be considered as a new plan of sale but rather the continuation of the original plan. Accordingly, the reclassification does not give rise to any interruption in the application of the provisions of IFRS 5 or any change in the date of classification. The amendments will take effect for periods beginning on or after January 1, 2016;
- “IFRS 7 - *Financial instruments: disclosures*”; as regards disclosures to be provided on any continuing involvement in assets that have been transferred and derecognized in their entirety, the amendments clarify that for disclosure purposes, a servicing contract that provides for the payment of a fee can represent a continuing involvement in the transferred asset. The entity must assess the nature of the fee and the servicing contract to determine when disclosure is required. The amendments also clarify that disclosures concerning the offsetting of financial assets and liabilities are not required in condensed interim financial statements.

The amendments will take effect for periods beginning on or after January 1, 2016;

- "IAS 19 - *Employee benefits*"; IAS 19 requires that the discount rate used to discount post-employment benefit obligations shall be determined by making reference to market yields on high quality corporate bonds or government bonds where there is not deep market in such high quality corporate bonds. The amendment to IAS 19 clarifies that the depth of the market in high quality corporate bonds must be assessed on the basis of the currency in which the bond is denominated and not the currency of the country in which the bond is issued. If there is no deep market in high quality corporate bonds in that currency, the corresponding market yield on government bonds shall be used. The amendments will take effect for periods beginning on or after January 1, 2016;
- "IAS 34 - *Interim financial reporting*"; the amendment establishes that the required disclosures for interim financial reports shall be provided in the interim financial statements or cross-referenced in the interim financial statements by way of a reference to another statement (e.g. a management risk report) that is available on the same terms and at the same time to users of the interim financial statements. The amendments will take effect for periods beginning on or after January 1, 2016.

## Restatement of comparative disclosures

Newly applied accounting standards or newly adopted accounting policies did not give rise to the restatement of comparative disclosures at December 31, 2014.

More specifically, as a result of the application, starting from January 1, 2015 with retrospective effect, of the new standard "IFRIC 21 - *Levies*", under which a tax liability is recognized when the obligating event giving rise to the liability to pay the levy, as set out in the applicable law, occurs, a number of indirect taxes on real estate held in Spain were recognized in the full amount at the start of the period and no longer deferred over the course of the year. This approach simply involves the redistribution of the expenses among the various interim periods, but has no restatement impact on figures for performance and financial position as they regard the entire year ending and as at December 31, 2014.

In addition, as regards the structure of "cash flows from operating activities" in the consolidated statement of cash flows, whose overall value was unchanged, the items that compose cash flows from operating activities have been reported in greater detail, which led to the corresponding reclassification of certain items for 2014 in order to ensure the comparability of the figures.

As from the 2015 financial year, the new organizational model of the Enel Group can be considered fully operational. The future adoption of the model was first announced on July 31, 2014, at the time of the presentation of the new organizational structure.

In 2015, the new organization, based on a matrix that comprises Divisions (Global Generation, Global Infrastructure and Networks, Renewable Energy, Global Trading, Upstream Gas) and Regions/Countries (Italy, Iberian Peninsula, Latin America and Eastern Europe), represented the basis of planning, reporting and assessing the financial performance of the Group, both internally by top management and in relations with the financial community.

In view of these developments, it has also become necessary to review disclosures under "IFRS 8 - *Operating segments*", as reported in note 5 below, which have also been supplemented with restated comparative figures to ensure full comparability.

## Main changes in the scope of consolidation

In the two periods under review, the scope of consolidation changed as a result of a number of transactions.

### 2014

- > Loss of control, as from January 1, 2014, of SE Hydro-power, under agreements signed in 2010 upon the acquisition of the company, providing for the change in governance structure as from that date. This resulted in the Enel Group no longer meeting the requirements for control of the company, which has instead become an entity under joint control. With these new governance arrangements, the investment was reclassified as a joint operation under IFRS 11;
- > acquisition, on April 22, 2014, of 50% of Inversiones Gas Atacama, a company operating in the natural gas transport and electricity generation sector in Chile in which the Group already held 50%; therefore, as from that date the company is consolidated on a line-by-line basis rather than using equity method accounting;
- > acquisition, on May 12, 2014, of 26% of Buffalo Dunes Wind Project, a company operating in the wind generation sector in the United States in which the Group already held 49%; therefore, following the acquisition of control the company is now consolidated on a line-by-line basis rather than using equity method accounting;
- > acquisition, on July 22, 2014, of the remaining 50% of Enel Green Power Solar Energy, an Italian company operating in the development, design, construction and operation of photovoltaic plants, in which the Group had previously held 50%; therefore, the company is now consolidated on a line-by-line basis rather than using equity method accounting;
- > acquisition, on September 17, 2014, of 100% of Osage Wind LLC, a company that owns a 150 MW wind development project in the United States. In October 2014, a stake of 50% in the company was sold. Consequently, the company, held as a joint venture, began to be accounted for using the equity method;
- > disposal in December 2014 of the entire stake (36.2%) held in LaGeo, a geothermal generation company in El Salvador;

- > disposal in December 2014 of 100% of Enel Green Power France, a renewables generator in France.

In addition, following the internal reorganization of the Group designed to restructure the holdings of the Iberia and Latin America Division, there were a number of changes in non-controlling interests in a number of subsidiaries as a result of the following transactions:

- > acquisition, through a tender offer in effect between January 14, 2014 and May 16, 2014, of an additional 15.18% stake in Coelce, an electricity distribution company in Brazil, already under the Group's control prior to the tender offer;
- > acquisition, on September 4, 2014, of the remaining 39% of Generandes Perú (previously controlled through a stake of 61%), a company that controls, with an interest of 54.20%, Edegel, a company operating in the power generation sector in Peru;
- > disposal, on October 23, 2014, by Endesa (of which the Group holds 92.06%) to Enel Energy Europe, now Enel Iberoamérica (a wholly-owned subsidiary) of 100% of Endesa Latinoamérica (an investment holding company that owned 40.32% of Enersis) and 20.30% of Enersis, the parent company for operations in Latin America. The operation increased the Group's stake in Enersis by 4.81%;
- > disposal, on November 21, 2014, of 21.92% of Endesa in a public offering.

### 2015

- > Acquisition, on March 6, 2015, of the share not previously held by the Group, amounting to 66.7%, of 3Sun, a photovoltaic firm. Through this acquisition, the Group obtained control of the company, which is now consolidated on a line-by-line basis;
- > acquisition, on September 24, 2015, acting through the subsidiary Enel Green Power, of a controlling interest of 68% in BLP Energy ("BLP"), a company operating in the renewables sector in India;
- > acquisition, in September 2015, of the remaining 60% of the ENEOP Group, identified in a split agreement with the other participants in the venture, with the acquisition being settled with the concomitant transfer of the 40% that Enel Green Power held in the other two portfolios transferred to the other partners in the consortium;
- > disposal, on November 26, 2015, of the ENEOP Group and other Portuguese companies in which Enel Green Power held an interest;



- > full consolidation, following changes in shareholders' agreements, in December 2015, of Osage Wind LLC, a company 50% held by Enel Green Power North America, previously accounted for using the equity method;
- > acquisition of a controlling interest of 78.6% in Erdwärme Oberland GmbH ("EO"), a company specialized in the development of geothermal projects in Germany;
- > contribution, on December 31, 2015, of the former wholly-owned subsidiaries Altomonte, Enel Green Power San Gillio and Enel Green Power Strambino Solar to an equally held joint venture (Ultor) with the fund F2i accounted for using the equity method.

In addition to the above changes in the scope of consolidation, the following transactions, although they do not repre-

sent transactions involving the acquisition or loss of control, gave rise to a change in the interest held by the Group in the investees:

- > disposal, on January 29, 2015, of SF Energy, a hydroelectric generation company in Italy;
- > disposal, on March 31, 2015, of 49% of EGPNA Renewable Energy Partners, an electricity generation company in the United States. Since the Group has maintained control of the company, the transaction is one involving a non-controlling interest;
- > disposal, on April 15, 2015, of SE Hydropower, a hydroelectric generation company in Italy;
- > acquisition, on April 8, 2015, of the remaining 49% of Energia Eolica, a wind generation company operating in Italy in which the Group already held an interest of 51%.

## Definitive allocation of the purchase price for the acquisition of 3Sun

On March 6, 2015, Enel Green Power completed the acquisition of an additional 66.7% stake in 3Sun from STM and Sharp as provided for under the agreement signed between the parties in July 2014.

Therefore, as a result of this acquisition, the Group has full ownership of 3Sun, and the company is now consolidated on a line-by-line basis rather than using the equity method.

As provided for under IFRS 3 Revised, the transaction qualifies as a step acquisition and, therefore, the fair value adjustments of the part of the net assets already held were recognized through profit or loss for the period.

Having completed the purchase price allocation process, the following table reports the definitive fair values of the assets acquired and liabilities and contingent liabilities assumed at the acquisition date.

Millions of euro	Definitive amounts recognized at the acquisition date
Property, plant and equipment	122
Intangible assets	7
Deferred tax assets	84
Other current and non-current assets	93
<b>Total assets</b>	<b>306</b>
Shareholders' equity attributable to the shareholders of the Parent Company	115
Financial debt	140
Trade payables	25
Deferred tax liabilities and other liabilities	26
<b>Total liabilities and shareholders' equity</b>	<b>306</b>

As shown in the following table, the transaction resulted in the recognition of negative goodwill of €76 million, but did not have an impact on cash flows.

## Effects of the transaction

Millions of euro	
Transaction price	-
Net assets of acquiree following definitive allocation	115
Carrying amount of interest held previously	(1)
Remeasurement at fair value of interest held previously	40
<b>Negative goodwill</b>	<b>76</b>

## Definitive allocation of the purchase price for the acquisition of a number of companies in South Africa

During 2015, the Group, acting through its subsidiary Enel Green Power, was awarded contracts for the start of new wind projects in South Africa for a total installed capacity of 705 MW in the fourth phase of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) tender.

This led to the acquisition of a number of projects represen-

ting businesses that were accounted for in accordance with the provisions of IFRS 3 Revised.

The consideration for each of those transactions includes a fixed component and contingent consideration depending on winning the tender. Accordingly, in 2015 the definitive fair values of the assets acquired and the liabilities and contingent liabilities assumed were determined.

The main adjustments essentially regard the adjustment of the value, net of tax effects, of a number of intangible assets. The allocation of the total cost of the transaction led to the recognition of negative goodwill of €12 million.

## Effects of the transaction

Millions of euro	Carrying amount at the acquisition date	Fair value adjustments	Amounts recognized at the acquisition date
Intangible assets	-	76	76
Other assets	-	-	-
<b>Total assets</b>	<b>-</b>	<b>76</b>	<b>76</b>
Deferred tax liabilities	-	21	21
<b>Total liabilities</b>	<b>-</b>	<b>21</b>	<b>21</b>
<b>Total net assets of the acquiree</b>	<b>-</b>	<b>55</b>	<b>55</b>

Millions of euro	
Transaction price	43
Net assets of acquiree following definitive allocation	55
<b>Negative goodwill</b>	<b>(12)</b>
Cash and cash equivalents acquired	-
Cash and cash equivalents paid	6
<b>Cash flow impact</b>	<b>(6)</b>

## Disposal of interest in EGPNA Renewable Energy Partners

On March 31, 2015, the Group, acting through its subsidiary Enel Green Power North America, entered into an agreement for the sale of a 49% stake in a newly created company, EGPNA Renewable Energy Partners, whose portfolio contains a number of companies operating primarily in the wind and hydroelectric power sector.

The Group continues to indirectly own 51% of the company,

which will be consolidated on a line-by-line basis, and will continue to be responsible for administration, operation and maintenance activities.

The disposal involved a total price of €458 million (collected in full), which, excluding transaction costs of €8 million, gave rise to a transaction value of €450 million, taking into account the value assigned to certain projects subject to conditions that had not yet been entirely met as of the date of this report.

The gain on the transaction, calculated as the difference between the net sale price and the percentage of shareholders' equity



sold to non-controlling interests, is equal to €14 million and was allocated to an equity reserve for transactions in non-controlling

interests, since the Group has maintained control over the company.

## Effects of the transaction

Millions of euro

Value of the transaction <sup>(1)</sup>	450
Net assets transferred	436
Reserve for transactions in non-controlling interests	14
- of which attributable to the shareholders of the Parent Company	10
- of which attributable to non-controlling shareholders	4

(1) Net of transaction costs.

## Acquisition of 68% of BLP Energy

On September 24, 2015 the Group, acting through Enel Green Power, acquired a controlling stake of 68% in BLP Energy ("BLP"), a company operating in the renewables industry in India, which owns wind plants with a total installed capacity of 172 MW, generating a total of about 340 GWh per year. The transaction qualifies as a business combination and was accounted for in accordance with the provisions of IFRS 3 Revised.

The process of allocating the purchase price to the fair values of the assets acquired and the liabilities and contingent liabilities assumed is not yet definitive and will be completed within 12 months of the acquisition date.

The non-controlling interest in the company was determined in proportion to the minority interest in the net identifiable assets of the acquiree.

## Effects of the transaction

Millions of euro	Carrying amount at the acquisition date	Fair value adjustments	Amounts recognized at the acquisition date
Property, plant and equipment	76	16	92
Cash and cash equivalents	15	-	15
Goodwill	3	-	3
Other current and non-current assets	4	-	4
<b>Total assets</b>	<b>98</b>	<b>16</b>	<b>114</b>
Financial debt	62	-	62
Deferred tax liabilities	-	5	5
Other current and non-current liabilities	3	2	5
<b>Total liabilities</b>	<b>65</b>	<b>7</b>	<b>72</b>
Non-controlling interests	10	3	13
<b>Total net assets acquired</b>	<b>23</b>	<b>6</b>	<b>29</b>

Millions of euro

Transaction price	29
Net assets acquired following provisional allocation	29
<b>Goodwill</b>	<b>-</b>
Cash and cash equivalents acquired	15
Cash and cash equivalents paid	29
<b>Cash flow impact</b>	<b>(14)</b>

## Reallocation of assets to shareholders of the ENEOP consortium

In 2015, Enel Green Power ("EGP"), acting through its Spanish and Portuguese subsidiaries, initiated an operation to split the assets of the ENEOP consortium, in which it held a stake of 40%. In September 2015, EGP signed an agreement with the other consortium members with which each acquired control of a specific portfolio of plants already identified in accordance with the terms of a split agreement signed previously, with the acquisition of the residual interest

held in each of the other parties' portfolios in exchange for the residual interest held in the other portfolios by the company. More specifically, the assets allocated to EGP have a net installed capacity of about 445 MW. Enel Green Power España then acquired an additional stake of 60% (for a fair value of €96 million) from the other shareholders for its portfolio, with the consequent acquisition of control (step acquisition) against the transfer of 40% of the assets to the other two consortium members (with a fair value totaling about €80 million) and payment of compensation to rebalance the weights of the various portfolios.

The following table reports the provisional fair values of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition of the portfolio.

### Effects of the transaction

Millions of euro	Carrying amounts at the acquisition date	Fair value adjustments and compensation among portfolios <sup>(1)</sup>	Amounts recognized at the acquisition date
Property, plant and equipment	442	-	442
Intangible assets	18	-	18
Goodwill	25	15	40
Cash and cash equivalents	128	-	128
Other current and non-current assets	34	41	75
<b>Total assets</b>	<b>647</b>	<b>56</b>	<b>703</b>
Loans	518	(28)	490
Other current and non-current liabilities	52	-	52
<b>Total liabilities</b>	<b>570</b>	<b>(28)</b>	<b>542</b>
<b>Total net assets</b>	<b>77</b>	<b>84</b>	<b>161</b>
<b>Total net assets acquired (60%)</b>	<b>47</b>	<b>49</b>	<b>96</b>

(1) Carried out to balance the exchange among the consortium participants.

Net of transaction costs, the transaction had a total impact on profit or loss of about €29 million as a result of the reme-

asurement at fair value (pursuant to IFRS 3 Revised) of the interest held previously.

Millions of euro	
Transaction price (including cash compensation)	96
Net assets of acquiree following provisional allocation	161
Carrying amount of interest held previously	36
Remeasurement at fair value of interest held previously	29
<b>Goodwill</b>	<b>-</b>

The completion of the split of ENEOP meets the condition precedent for the closing of the agreement signed in September 2015 with First State Wind Energy Investments for the sale

of all renewables assets held in Portugal, which occurred in November 2015, as described in the next section.

## Disposal of 100% of Finerge Gestão de Projectos Energéticos

On November 26, 2015, the Enel Green Power Group, ac-

ting through its subsidiary Enel Green Power España, completed the sale of all of the share capital of Finerge Gestão de Projectos Energéticos to the Portuguese company First

State Wind Energy Investments for a total of about €900 million. The transaction closed following completion of the split of ENEOP and gave rise to a capital gain, including the

effects of consolidating ENEOP net of transaction costs, amounting to about €29 million.

## Creation of an equally-held joint venture in the Italian photovoltaic industry

During the 4th Quarter of 2015, the Enel Green Power Group transferred part of its solar assets in Italy to a new equally held joint venture with F2i Energie Rinnovabili Srl under the provisions of the agreement signed on October 16, 2015,

with effect from December 31, 2015.

The transaction, which involved the loss of control of those assets, had a fair value of €111 million (see note 22) and a total impact on profit or loss of €11 million, including the remeasurement at fair value (in accordance with IFRS 10) of the interest previously held and transferred to the new joint venture.

## Segment information

The representation of performance and financial position by business area presented here is based on the approach used by management in monitoring Group performance for the two periods being compared.

On July 31, 2014, the Enel Group adopted a new organizational structure, based on a matrix of Divisions and geographical areas, focused on the industrial objectives of the Group, with clear specification of roles and responsibilities in

order to pursue and maintain technological leadership in the sectors in which the Group operates, ensuring operational excellence, and to maximize the level of service offered to customers in local markets.

For more information on performance and financial developments during the year, please see the dedicated section in the report on operations.

## Segment information for 2015 and 2014

### Results for 2015 <sup>(1)</sup>

Millions of euro	Italy	Iberian Peninsula	Latin America	Eastern Europe	Renewable Energy	Other, eliminations and adjustments	Total
Revenue from third parties	38,155	19,644	10,599	4,488	2,747	25	75,658
Revenue from transactions with other segments	1,489	461	28	343	264	(2,585)	-
<b>Total revenue</b>	<b>39,644</b>	<b>20,105</b>	<b>10,627</b>	<b>4,831</b>	<b>3,011</b>	<b>(2,560)</b>	<b>75,658</b>
Total costs	33,747	17,002	7,456	3,506	1,160	(2,342)	60,529
Net income/(expense) from commodity contracts measured at fair value	201	8	(4)	(17)	(25)	5	168
Depreciation and amortization	1,479	1,526	876	283	689	34	4,887
Impairment losses	583	409	69	1,539	259	119	2,978
Reversals of impairment losses	31	(221)	(19)	(15)	(1)	(28)	(253)
<b>Operating income</b>	<b>4,005</b>	<b>1,397</b>	<b>2,241</b>	<b>(499)</b>	<b>879</b>	<b>(338)</b>	<b>7,685</b>
<b>Capital expenditure</b>	<b>1,562 <sup>(2)</sup></b>	<b>985</b>	<b>1,819</b>	<b>229 <sup>(3)</sup></b>	<b>2,466</b>	<b>52</b>	<b>7,113</b>

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(2) Does not include €1 million regarding units classified as "held for sale".

(3) Does not include €648 million regarding units classified as "held for sale".

## Results for 2014 restated <sup>(1)</sup> <sup>(2)</sup>

Millions of euro	Italy	Iberian Peninsula	Latin America	Eastern Europe	Renewable Energy	Other, eliminations and adjustments	<b>Total</b>
Revenue from third parties	37,679	20,766	9,645	4,928	2,662	111	75,791
Revenue from transactions with other segments	710	186	3	371	259	(1,529)	-
<b>Total revenue</b>	<b>38,389</b>	<b>20,952</b>	<b>9,648</b>	<b>5,299</b>	<b>2,921</b>	<b>(1,418)</b>	<b>75,791</b>
Total costs	31,861	17,638	6,553	4,088	1,059	(1,390)	59,809
Net income/(expense) from commodity contracts measured at fair value	(185)	(111)	(3)	(1)	76	(1)	(225)
Depreciation and amortization	1,678	1,632	885	383	589	37	5,204
Impairment losses	2,748	556	658	3,540	228	3	7,733
Reversals of impairment losses	(1)	(225)	-	(37)	(3)	(1)	(267)
<b>Operating income</b>	<b>1,918</b>	<b>1,240</b>	<b>1,549</b>	<b>(2,676)</b>	<b>1,124</b>	<b>(68)</b>	<b>3,087</b>
<b>Capital expenditure</b>	<b>1,460</b>	<b>993</b>	<b>1,609</b>	<b>936</b>	<b>1,658</b>	<b>45</b>	<b>6,701</b>

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(2) The figures have been restated to enable comparison with the results for 2015, which are presented on the basis of the new organization of the Enel Group, which as from this year represents the basis for the planning, reporting and assessment of the performance and financial position of the Group, both internally by management and with respect to the financial community.

## Financial position by segment

At December 31, 2015

Millions of euro	Italy	Iberian Peninsula	Latin America	Eastern Europe	Renewable Energy	Other, eliminations and adjustments	<b>Total</b>
Property, plant and equipment	22,441	23,294	11,589	5,767	13,894	66	77,051
Intangible assets	1,075	14,844	10,197	904	1,994	52	29,066
Trade receivables	8,655	2,228	1,777	366	451	(621)	12,856
Other	3,513	1,445	465	567	476	(389)	6,077
<b>Operating assets</b>	<b>35,684</b>	<b>41,811</b>	<b>24,028</b>	<b>7,604 <sup>(1)</sup></b>	<b>16,815</b>	<b>(892)</b>	<b>125,050</b>
Trade payables	6,928	2,060	1,817	783	1,270	(805)	12,053
Sundry provisions	3,445	3,804	817	2,130	282	581	11,059
Other	6,852	2,824	1,174	1,312	437	(718)	11,881
<b>Operating liabilities</b>	<b>17,225</b>	<b>8,688</b>	<b>3,808</b>	<b>4,225 <sup>(2)</sup></b>	<b>1,989</b>	<b>(942)</b>	<b>34,993</b>

(1) Of which €4,231 million regarding units classified as "held for sale".

(2) Of which €2,331 million regarding units classified as "held for sale".

At December 31, 2014 restated <sup>(1)</sup>

Millions of euro	Italy	Iberian Peninsula	Latin America	Eastern Europe	Renewable Energy	Other, eliminations and adjustments	<b>Total</b>
Property, plant and equipment	22,518	23,865	11,950	6,702	11,765	171	76,971
Intangible assets	1,237	14,817	11,572	912	2,248	76	30,862
Trade receivables	7,832	2,185	1,656	409	440	(420)	12,102
Other	3,963	1,488	798	501	599	(350)	6,999
<b>Operating assets</b>	<b>35,550 <sup>(2)</sup></b>	<b>42,355 <sup>(4)</sup></b>	<b>25,976 <sup>(5)</sup></b>	<b>8,524 <sup>(6)</sup></b>	<b>15,052</b>	<b>(523)</b>	<b>126,934</b>
Trade payables	8,248	2,132	2,184	747	892	(493)	13,710
Sundry provisions	3,362	3,979	765	2,572	193	469	11,340
Other	6,054	2,852	1,317	1,304	560	(576)	11,511
<b>Operating liabilities</b>	<b>17,664 <sup>(3)</sup></b>	<b>8,963</b>	<b>4,266</b>	<b>4,623 <sup>(7)</sup></b>	<b>1,645</b>	<b>(600)</b>	<b>36,561</b>

(1) The figures have been restated to enable comparison with the results for 2015, which are presented on the basis of the new organization of the Enel Group, which as from this year represents the basis for the planning, reporting and assessment of the performance and financial position of the Group, both internally by management and with respect to the financial community.

(2) Of which €347 million regarding units classified as "held for sale".

(3) Of which €22 million regarding units classified as "held for sale".

(4) Of which €4 million regarding units classified as "held for sale".

(5) Of which €10 million regarding units classified as "held for sale".

(6) Of which €4,255 million regarding units classified as "held for sale".

(7) Of which €2,790 million regarding units classified as "held for sale".

The following table reconciles segment assets and liabilities and the consolidated figures.

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014
<b>Total assets</b>	<b>161,179</b>	<b>166,634</b>
Equity investments accounted for using the equity method	607	872
Non-current financial assets	3,274	3,645
Long-term tax receivables included in "Other non-current assets"	463	501
Current financial assets	2,381	3,984
Derivatives	7,416	6,835
Cash and cash equivalents	10,639	13,088
Deferred tax assets	7,386	7,067
Income tax receivables	636	788
Long-term tax receivables included in "Other current assets"	706	759
Financial and tax assets of "Assets held for sale"	2,621	2,161
<b>Segment assets <sup>(1)</sup></b>	<b>125,050</b>	<b>126,934</b>
<b>Total liabilities</b>	<b>109,428</b>	<b>115,489</b>
Long-term borrowings	44,872	48,655
Short-term borrowings	2,155	3,252
Current portion of long-term borrowings	5,733	5,125
Current financial liabilities	1,063	1,177
Derivatives	7,027	7,882
Deferred tax liabilities	8,977	9,220
Income tax payable	585	253
Other tax payables	990	887
Financial and tax liabilities included in disposal groups classified as "held for sale"	3,033	2,477
<b>Segment liabilities <sup>(1)</sup></b>	<b>34,993</b>	<b>36,561</b>

(1) The figures have been restated to enable comparison with the results for 2015, which are presented on the basis of the new organization of the Enel Group, which as from this year represents the basis for the planning, reporting and assessment of the performance and financial position of the Group, both internally by management and with respect to the financial community.

# Revenue

## 7.a Revenue from sales and services - €73,076 million

Millions of euro

	2015	2014	Change	
Revenue from the sale of electricity	46,638	48,062	(1,424)	-3.0%
Revenue from the transport of electricity	9,911	9,142	769	8.4%
Fees from network operators	826	783	43	5.5%
Transfers from equalization funds, market operators and energy services operators	1,152	1,857	(705)	-38.0%
Revenue from the sale of natural gas	4,045	3,628	417	11.5%
Revenue from the transport of natural gas	509	459	50	10.9%
Revenue from fuel sales	7,104	5,659	1,445	25.5%
Connection fees to electricity and gas networks	829	843	(14)	-1.7%
Revenue from the sale of environmental certificates	343	1,238	(895)	-72.3%
Revenue from other sales and services	1,719	1,657	62	3.7%
<b>Total</b>	<b>73,076</b>	<b>73,328</b>	<b>(252)</b>	<b>-0.3%</b>

In 2015 “revenue from the sale of electricity” amounted to €46,638 million (€48,062 million in 2014) and included sales of electricity to end users amounting to €29,994 million (€29,933 million in 2014), sales of electricity to wholesale buyers totaling €13,355 million (€14,428 million in 2014) and revenue from electricity trading activities amounting to €3,289 million (€3,701 million in 2014). The decrease is mainly attributable to the decline in quantities sold on national electricity exchanges and to foreign wholesale buyers, as well as the effect of translating the ruble into euro following the former’s significant depreciation.

“Revenue from the transport of electricity” amounted to €9,911 million in 2015, an increase of €769 million, largely due to the increase in revenue from transportation to end users connected to the Enel network (€258 million) and in revenue from other suppliers (€511 million). More specifically, the increase is essentially attributable to new regulation in Italy (Resolutions 654/2015 and 655/2014 of the Authority for Electricity, Gas and the Water System) which produced an increase in electricity transport rates and resolved the regulatory lag issue. The latter development will enable the recognition, as from the current year, of revenue in respect of the remuneration and regulatory amortization of eligible investments in the grid made during the year. That revenue will be recognized in rates as from 2016 and 2017. The overall impact of the recognition, which also led to the supplement-

tary recognition of revenue for the entire previous regulatory period under the provisions of the temporary regime, amounted to €557 million, of which €100 million for 2015 investments. For more details on the regulatory changes, please see the appropriate section in note 2 “Accounting policies and measurement criteria”.

In 2015, “transfers from equalization funds, market operators and energy services operators” amounted to €1,152 million, down €705 million compared with the previous year. This mainly reflected a decline in transfers in the extra-peninsular area of Spain, due to the increase in sales and the reduction in fuel prices.

“Revenue from the sale of natural gas” amounted to €4,045 million in 2015 (€3,628 million in 2014), an increase of €417 million, mainly reflecting the increase in sales in the Iberian Peninsula and on the domestic market, due to a sharp increase in volumes traded accompanied by falling average unit prices.

“Revenue from the transport of natural gas” amounted to €509 million, up €50 million (+10.9%), which matched the increase in gas sales.

“Revenue from fuel sales” amounted to €7,104 million, and in 2015 included sales of natural gas of €7,053 million (€5,536



million in 2014) and sales of other fuels amounting to €51 million (€123 million in 2014). The sharp rise with respect to the previous year reflects the increase in volumes traded.

“Revenue from the sale of environmental certificates” decreased by €895 million, largely due to a contraction in sales of environmental certificates and CO<sub>2</sub> emissions allowances.

The table below gives a breakdown of revenues from sales and services by geographical area.

Millions of euro

	2015	2014
Italy	28,705	28,567
<b>Europe</b>		
Iberian Peninsula	19,175	20,378
France	1,439	1,375
Switzerland	362	711
Germany	2,556	3,154
Austria	20	4
Slovenia	26	22
Slovakia	1,240	1,367
Romania	1,031	1,046
Greece	64	61
Bulgaria	9	8
Belgium	365	256
Czech Republic	679	813
Hungary	356	141
Russia	1,022	1,336
Netherlands	3,414	113
United Kingdom	1,214	3,105
Other European countries	67	179
<b>Americas</b>		
United States	463	455
Canada	11	-
Mexico	166	135
Brazil	2,864	3,100
Chile	3,377	2,820
Peru	1,226	1,034
Colombia	2,114	2,087
Argentina	588	453
Other South American countries	172	158
<b>Other</b>		
Africa	3	1
Asia	348	449
<b>Total</b>	<b>73,076</b>	<b>73,328</b>

## 7.b Other revenue and income - €2,582 million

Millions of euro

	2015	2014	Change	
Operating grants	8	13	(5)	-38.5%
Grants for environmental certificates	874	923	(49)	-5.3%
Capital grants (electricity and gas business)	17	12	5	41.7%
Sundry reimbursements	239	184	55	29.9%
Gains on disposal and negative goodwill on acquisitions of subsidiaries, associates, joint ventures, joint operations and non-current assets held for sale	313	292	21	7.2%
Gains on remeasurement at fair value after changes in control	80	82	(2)	-2.4%
Gains on disposal of property, plant and equipment and intangible assets	52	32	20	62.5%
Service continuity bonuses	65	76	(11)	-14.5%
Other revenue	934	849	85	10.0%
<b>Total</b>	<b>2,582</b>	<b>2,463</b>	<b>119</b>	<b>4.8%</b>

“Grants for environmental certificates” decreased by €49 million compared with the previous year. The item comprises incentives granted to renewable generation plants or for energy efficiency initiatives.

“Sundry reimbursements” regard sundry reimbursements from customers and suppliers totaling €110 million (€46 million in 2014) and insurance indemnities in the amount of €129 million (€86 million in 2014). The increase is due to more substantial insurance indemnities for damage to plants and to end-user reimbursements in Spain caused by fraudulent connections to the network.

Gains on disposal and negative goodwill amounted to €313 million in 2015, up €21 million on 2014, mainly due to the impact of the proceeds from the disposal of SE Hydropower (€141 million) and SF Energy (€15 million) and negative goodwill amounting to €76 million, from the acquisition of control of 3Sun. Gains in 2014 were mainly accounted for by the adjustment of the price for Artic Russia (€82 million), under the earn-out clause in the sale agreement with the buyer prior to the closing, and other gains in the renewables sector from the sale of LaGeo (€123 million) and Enel Green Power France (€31 million).

“Gains on remeasurement at fair value after changes in control” amounted to €80 million. They mainly include the remeasurement at fair value of the assets and liabilities pertaining to the Group (€40 million and €29 million) which Enel fully owned prior to the acquisition of full control of 3Sun and of the ENEOP consortium respectively. In 2014, this item reported remeasurement at fair value of the assets and liabilities pertaining to the Group: (i) remaining after the loss of control as from January 1, 2014, of SE Hydropower following changes in governance arrangements (€50 million); and (ii) already held by Enel prior to the acquisition of full control of Inversiones Gas Atacama (€29 million) and Buffalo Dunes Wind Project (€3 million).

The increase in “Other revenue” mainly reflects revenue recognized in 2015 that was generated by the application of regulatory amendments introduced in Argentina with *Resolución 32/2015*, which had a particular impact on Edesur with regard to the recognition of revenue and the *Mecanismo de Monitoreo de Costos*, with a total positive effect of €247 million, only partly offset by a reduction in other income registered by Enel Green Power, Endesa and other smaller companies amounting to about €162 million.

## Costs

### 8.a Electricity, gas and fuel purchases - €37,644 million

Millions of euro

	2015	2014	Change	
Electricity	22,218	23,317	(1,099)	-4.7%
Gas	11,710	8,388	3,322	39.6%
Nuclear fuel	250	206	44	21.4%
Other fuels	3,466	5,017	(1,551)	-30.9%
<b>Total</b>	<b>37,644</b>	<b>36,928</b>	<b>716</b>	<b>1.9%</b>

Purchases of "electricity" comprise those from the Acquirente Unico (Single Buyer) in the amount of €3,695 million (€4,395 million in 2014) and purchases from the Energy Markets Operator (GME) in the amount of €1,553 million (€1,690 million in 2014). The decrease in the aggregate mainly regards the reduction in costs for electricity purchases on electricity exchanges and on national and international markets, essentially due to the decline in demand.

Purchases of "gas" increased by €3,322 million, largely due to an increase in intermediation activities on the fuel market. Purchases of "nuclear fuel" reflected the increase in price and greater quantities produced in Spain.

Purchases of "other fuels" diminished by €1,551 million, to €3,466 million in 2015, mainly due to the reduction in consumption in a context of falling prices.

### 8.b Services and other materials - €16,457 million

Millions of euro

	2015	2014	Change	
Transmission and transport	9,118	8,979	139	1.5%
Maintenance and repairs	1,213	1,301	(88)	-6.8%
Telephone and postal costs	209	221	(12)	-5.4%
Communication services	104	115	(11)	-9.6%
IT services	364	305	59	19.3%
Leases and rentals	577	609	(32)	-5.3%
Building services	137	133	4	3.0%
Insurance services	229	118	111	94.1%
Professional and technical services	190	186	4	2.2%
Fees and commissions	302	251	51	20.3%
Services and other expenditure connected with personnel	204	218	(14)	-6.4%
Materials and services for service concession arrangements	318	246	72	29.3%
Other services	2,414	2,222	192	8.6%
Other materials	1,078	2,275	(1,197)	-52.6%
<b>Total</b>	<b>16,457</b>	<b>17,179</b>	<b>(722)</b>	<b>-4.2%</b>

Costs for services and other materials amounted to €16,457 million in 2015, a decrease on 2014 due largely to a contraction in costs for the purchase of environmental certificates and to a larger change in stocks of CO<sub>2</sub> emissions allowances, environmental certificates and other materials, as reflected in the decrease of €1,197 million in costs for other materials.

This decrease was only partly offset by an increase in costs for wheeling and transport associated with the increase in electricity consumption in the main markets in which the Group operates.

## 8.c Personnel - €5,313 million

Millions of euro

	2015	2014	Change	
Wages and salaries	3,306	3,329	(23)	-0.7%
Social security contributions	953	931	22	2.4%
Deferred compensation benefits	125	111	14	12.6%
Other post-employment and long-term benefits	(831)	70	(901)	-
Early retirement incentives	1,601	313	1,288	-
Other costs	159	110	49	44.5%
<b>Total</b>	<b>5,313</b>	<b>4,864</b>	<b>449</b>	<b>9.2%</b>

Personnel costs amounted to €5,313 million in 2015, an increase of €449 million.

The workforce contracted by 1,047, reflecting the balance between hirings and terminations (a decrease of 1,316), only partially offset by the increase associated with the change in the scope of consolidation (an increase of 269 employees).

The increase in "other post-employment and long-term benefits" largely reflects the release (€902 million) of the provision for the electricity discount granted to retired employees in Italy, following the unilateral termination of that benefit in the 4th Quarter of 2015.

"Early retirement incentives" amounted to €1,601 million

in 2015. The increase compared with 2014 is mainly attributable to new agreements for early retirement reached in Italy in December 2015, in accordance with Article 4 of Law 92/2012, and to the introduction of early retirement mechanisms in Spain ("*Acuerdo Voluntario de Salida*"), which produced an increase of €90 million in costs compared with 2014. For more details, please see the section concerning the provision for early retirement incentives in note 35 below.

The table below shows the average number of employees by category compared with the previous year, and the actual number of employees at December 31, 2015.

	Average number <sup>(1)</sup>			Headcount <sup>(1)</sup>
	2015	2014	Change	at Dec. 31, 2015 <sup>(2)</sup>
Senior managers	1,457	1,552	(95)	1,465
Middle managers	10,177	14,263	(4,086)	10,387
Office staff	34,769	38,224	(3,455)	35,975
Blue collar	21,978	16,709	5,269	20,087
<b>Total</b>	<b>68,381</b>	<b>70,748</b>	<b>(2,367)</b>	<b>67,914</b>

(1) For companies consolidated on a proportionate basis, the headcount corresponds to Enel percentage share of the total.

(2) Of which 4,301 in units classified as "held for sale".

## 8.d Depreciation, amortization and impairment losses - €7,612 million

Millions of euro

	2015	2014	Change	
Property, plant and equipment	4,190	4,425	(235)	-5.3%
Investment property	8	8	-	-
Intangible assets	689	771	(82)	-10.6%
Impairment losses	2,978	7,733	(4,755)	-61.5%
Reversal of impairment losses	(253)	(267)	14	5.2%
<b>Total</b>	<b>7,612</b>	<b>12,670</b>	<b>(5,058)</b>	<b>-39.9%</b>

Depreciation and amortization decreased by €317 million in 2015 (comprising property, plant and equipment and intangible assets), due to the variation in exchange rates and the

reduction in assets subject to depreciation (also caused by impairment losses posted in late 2014, which are discussed below).

Millions of euro

millions of euro				
	2015	2014	Change	
<b>Impairment losses:</b>				
- property, plant and equipment	1,246	2,886	(1,640)	-56.8%
- investment property	5	18	(13)	-72.2%
- intangible assets	68	744	(676)	-90.9%
- goodwill	13	194	(181)	-93.3%
- trade receivables	1,058	997	61	6.1%
- assets classified as held for sale	574	2,878	(2,304)	-80.1%
- other assets	14	16	(2)	-12.5%
<b>Total impairment losses</b>	<b>2,978</b>	<b>7,733</b>	<b>(4,755)</b>	<b>-61.5%</b>
<b>Reversals of impairment losses:</b>				
- property, plant and equipment	(21)	(3)	(18)	-
- investment property	-	-	-	-
- intangible assets	-	-	-	-
- trade receivables	(230)	(250)	20	8.0%
- assets classified as held for sale	-	-	-	-
- other assets	(2)	(14)	12	85.7%
<b>Total reversals of impairment losses</b>	<b>(253)</b>	<b>(267)</b>	<b>14</b>	<b>5.2%</b>

"Impairment losses" decreased by €4,755 million on the previous year.

Impairment losses on property, plant and equipment in 2015 mainly regarded:

- > power plants in Russia in the amount of €899 million (€205 million in 2014), in view of market forecasts for that country. The parameters used in the impairment test of the Enel Russia CGU are discussed in note 20 below;
- > the property, plant and equipment of Enel Green Power Romania for €139 million and of 3Sun for €42 million. The parameters used in the impairment test of the associated CGUs are discussed in note 20 below;

- > a number of mineral exploration assets in Algeria (attributable to the upstream gas area) totaling €132 million, due to the unfavorable fuel price situation.

In 2014 this item included (in addition to the factors noted above for comparison purposes) impairment losses on thermal plants in Italy in the amount of €2,096 million (due to the continuing economic crisis in Italy and the consequent negative impact on power generation from conventional resources), on leased assets in Slovakia – more specifically the Gabčíkovo hydroelectric plant – in the amount of €103 million (following the renegotiation which advanced the lease expiry to 2015, instead of the original expiry of 2036), as well as

on the property, plant and equipment of Enel Green Power Hellas in the amount of €91 million.

Impairment losses on intangible assets in 2015 amounted to €68 million. They mainly regard:

- > concessions and similar rights of Enel Longanesi in the amount of €27 million to adjust the value of Upstream Gas assets to their value in use;
- > Enel Green Power North America in the amount of €26 million.

In 2014, this item included impairment losses on the water rights held by Endesa Chile to use the water of a number of rivers in the Aysén region of that country in the amount of €589 million, concessions and similar rights of Enel Green Power Hellas in the amount of €55 million, as well as a number of smaller concessions in Portugal (Hidromondego in the

amount of €35 million) and Spain (Distribuidora Eléctrica del Puerto de la Cruz in the amount of €31 million).

Impairment losses on goodwill were recognized following impairment testing. More details are provided in note 20.

Finally, impairment losses on assets classified as held for sale amounted to €574 million in 2015 and to €2,878 million in 2014. They regard the net assets of Slovenské elektrárne. The impairment loss was determined in both periods to align the carrying amount of the assets with their fair value less costs to sell pending disposal, subsequently confirmed with the closing of an agreement with EPH in December 2015, although the effects are suspending pending receipt of the necessary antitrust clearance.

## 8.e Other operating expenses - €2,654 million

Millions of euro

	2015	2014	Change	
System charges - emissions allowances	340	341	(1)	-0.3%
System charges - energy efficiency certificates	315	105	210	-
System charges - green certificates	181	144	37	25.7%
Losses on disposal of property, plant and equipment and intangible assets	49	21	28	-
Taxes and duties	1,272	1,275	(3)	-0.2%
Other	497	476	21	4.4%
<b>Total</b>	<b>2,654</b>	<b>2,362</b>	<b>292</b>	<b>12.4%</b>

Other operating expenses amounted to €2,654 million, an increase of €292 million, mainly due to:

- > an increase of €210 million in charges for white certificates, largely reflecting higher volumes of purchased certificates for compliance purposes and a change in regulations with Resolution 13/2014 of the Authority for Electricity, Gas and the Water System, which introduced a new cost reimbursement mechanism;
- > an increase of €37 million in costs for the purchase of green certificates;
- > the release of the nuclear fuel disposal provision in Slovakia in the amount of €550 million, based on a study conducted by independent experts, following the new regu-

lations introduced in July 2015 by the Slovak government, who approved a new strategy for dealing with the “back end” of spent nuclear fuel; in 2014 another provision for the Slovakian plants had been released in the amount of €136 million;

- > the release of €63 million of provisions for risks and charges in 2014 following the settlement agreement between Enel Distribuzione, A2A and A2A Reti Elettriche;
- > an increase in provisions of €328 million to cover compensation for the unilateral termination of the residential electricity discount for the Group's retired employees in Italy as of December 31, 2015.

## 8.f Capitalized costs - €(1,539) million

Millions of euro

	2015	2014	Change	
Personnel	(746)	(719)	(27)	-3.8%
Materials	(433)	(391)	(42)	-10.7%
Other	(360)	(414)	54	13.0%
<b>Total</b>	<b>(1,539)</b>	<b>(1,524)</b>	<b>(15)</b>	<b>-1.0%</b>

Capitalized costs consist of €746 million in personnel costs and €433 million in materials costs (compared with €719 million and €391 million, respectively, in 2014).

## 9. Net income/(expense) from commodity contracts measured at fair value - €168 million

Net income from commodity contracts measured at fair value amounted to €168 million, the result of net unrealized expense on open positions in derivatives at December 31, 2015 in the amount of €304 million (€268 million in 2014) and net realized gains on positions closed during the year of €472 million (€43 million net in 2014).

Millions of euro

	2015	2014	Change	
<b>Income:</b>				
- unrealized on positions open at the end of the period	2,832	4,455	(1,623)	-36.4%
- realized on positions closed during the period	6,702	3,793	2,909	76.7%
<b>Total income</b>	<b>9,534</b>	<b>8,248</b>	<b>1,286</b>	<b>15.6%</b>
<b>Expense:</b>				
- unrealized on positions open at the end of the period	(3,136)	(4,723)	1,587	33.6%
- realized on positions closed during the period	(6,230)	(3,750)	(2,480)	-66.1%
<b>Total expense</b>	<b>(9,366)</b>	<b>(8,473)</b>	<b>(893)</b>	<b>-10.5%</b>
<b>NET INCOME/(EXPENSE) FROM COMMODITY CONTRACTS MEASURED AT FAIR VALUE</b>	<b>168</b>	<b>(225)</b>	<b>393</b>	<b>-</b>

## 10. Net financial income/(expense) from derivatives - €950 million

Millions of euro

	2015	2014	Change	
<b>Income:</b>				
- income from cash flow hedge derivatives	1,507	1,532	(25)	-1.6%
- income from derivatives at fair value through profit or loss	907	468	439	93.8%
- income from fair value hedge derivatives	41	78	(37)	-47.4%
<b>Total income</b>	<b>2,455</b>	<b>2,078</b>	<b>377</b>	<b>18.1%</b>
<b>Expense:</b>				
- expense on cash flow hedge derivatives	(330)	(434)	104	24.0%
- expense on derivatives at fair value through profit or loss	(1,145)	(476)	(669)	-
- expense on fair value hedge derivatives	(30)	(6)	(24)	-
<b>Total expense</b>	<b>(1,505)</b>	<b>(916)</b>	<b>(589)</b>	<b>-64.3%</b>
<b>TOTAL FINANCIAL INCOME/(EXPENSE) FROM DERIVATIVES</b>	<b>950</b>	<b>1,162</b>	<b>(212)</b>	<b>-18.2%</b>

Net income from cash flow hedge derivatives amounted to €1,177 million, while derivatives at fair value through profit or loss posted net expense of €238 million.

By contrast, the net performance of fair value hedge derivatives produced net income of €11 million.

For more details on derivatives, please see note 44 "Derivatives and hedge accounting".

## 11. Net other financial income/(expense) - €(3,406) million

### Other financial income

Millions of euro

	2015	2014	Change	
<b>Interest income from financial assets (current and non-current):</b>				
- interest income at effective rate on non-current securities and receivables	85	43	42	97.7%
- interest income at effective rate on short-term financial investments	180	217	(37)	-17.1%
<b>Total interest income at the effective interest rate</b>	<b>265</b>	<b>260</b>	<b>5</b>	<b>1.9%</b>
<b>Financial income on non-current securities at fair value through profit or loss</b>	<b>5</b>	<b>6</b>	<b>(1)</b>	<b>-16.7%</b>
<b>Exchange gains</b>	<b>882</b>	<b>529</b>	<b>353</b>	<b>66.7%</b>
<b>Income on equity investments</b>	<b>11</b>	<b>4</b>	<b>7</b>	<b>-</b>
<b>Other income</b>	<b>400</b>	<b>449</b>	<b>(49)</b>	<b>-10.9%</b>
<b>TOTAL OTHER FINANCIAL INCOME</b>	<b>1,563</b>	<b>1,248</b>	<b>315</b>	<b>25.2%</b>

Other financial income amounted to €1,563 million, an increase of €315 million compared with the previous year. The

reduction reflects:

> an increase in "exchange gains"; reflecting the impact of



developments in exchange rates on net financial debt denominated in currencies other than the euro, as well as the recognition, under the terms of the associated contract, by the Argentine authorities of the conversion of receivables for the construction of the Vuelta de Obligado plant into US dollars, given that it is essentially completed (about €258 million);

- > a slight increase in “income on equity investments” and “interest income at the effective rate,” respectively amounting to €11 million and €265 million in 2015;
- > a decrease in “other income,” mainly due to effect of the increase in the same item in 2014 following the settlement agreement on Costanera’s payables to Mitsubishi.

## Other financial expense

Millions of euro

	2015	2014	Change	
<b>Interest expense on financial debt (current and non-current):</b>				
- interest expense on bank borrowings	371	360	11	3.1%
- interest expense on bonds	2,314	2,476	(162)	-6.5%
- interest expense on other borrowings	143	116	27	23.3%
<b>Total interest expense</b>	<b>2,828</b>	<b>2,952</b>	<b>(124)</b>	<b>-4.2%</b>
<b>Expense on securities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Exchange losses</b>	<b>1,738</b>	<b>1,814</b>	<b>(76)</b>	<b>-4.2%</b>
<b>Accretion of post-employment and other employee benefits</b>	<b>101</b>	<b>139</b>	<b>(38)</b>	<b>-27.3%</b>
<b>Accretion of other provisions</b>	<b>210</b>	<b>258</b>	<b>(48)</b>	<b>-18.6%</b>
<b>Charges on equity investments</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>-</b>
<b>Other charges</b>	<b>89</b>	<b>374</b>	<b>(285)</b>	<b>-76.2%</b>
<b>TOTAL OTHER FINANCIAL EXPENSE</b>	<b>4,969</b>	<b>5,540</b>	<b>(571)</b>	<b>-10.3%</b>

Other financial expense amounted to €4,969 million, a decrease of €571 million on 2014. The change reflects the following factors:

- > a decrease in interest expense, largely owing to an average decrease in gross financial debt compared with 2014;
- > a decrease of €76 million in “exchange losses,” attributable to the fluctuation of the euro against the other currencies in which bonds are issued. This factor was essentially offset by an increase in income on cash flow hedge derivatives on exchange rates;
- > a decrease of €38 million in charges from “accretion of post-employment and other employee benefits” (see

note 34 for details), including other charges from accretion of other provisions in the amount of €48 million, mainly ascribable to the accretion of the provision for early retirement incentives;

- > a decrease of €285 million in “other charges” (€89 million in 2015 and €374 million in 2014), essentially reflecting the effect of the downward adjustment in 2014 of financial assets (€92 million) associated with service concession arrangements in Brazil and the impairment loss recognized in 2014 on the financial receivables from Elcogas, as well as an increase of about €63 million in capitalized interest, partly due to the rise in investment.

## 12. Share of income/(losses) of equity investments accounted for using the equity method - €52 million

Millions of euro

	2015	2014	Change	
Share of income of associates	152	229	(77)	-33.6%
Share of losses of associates	(100)	(87)	(13)	-14.9%
Impairment losses	-	(177)	177	-
<b>Total</b>	<b>52</b>	<b>(35)</b>	<b>87</b>	<b>-</b>

The share of income and losses of equity investments accounted for using the equity method increased by €87 million compared with the previous year. The rise is attributable to impairment losses posted in 2014 in the amount of €177 million on the joint venture in Centrales Hidroeléctricas de Aysén (as a result of uncertainty about permitting for the development of the project to build a hydroelectric plant in

Chile) and on Enel Green Power Hellas CGU with regard to the "Elica 2" equity-accounted investments as a result of the persistent adverse economic climate. These factors were only partly offset by a decline in income from associates posted in 2015 (€77 million), which was mostly due to the effect of changes in the scope of consolidation during the periods under consideration.

## 13. Income taxes - €1,909 million

Millions of euro

	2015	2014	Change	
Current taxes	2,061	1,968	93	4.7%
Adjustments for income taxes related to prior years	(19)	(119)	100	84.0%
<b>Total current taxes</b>	<b>2,042</b>	<b>1,849</b>	<b>193</b>	<b>10.4%</b>
Deferred tax liabilities	(125)	(961)	836	87.0%
Deferred tax assets	(8)	(1,738)	1,730	-
<b>TOTAL</b>	<b>1,909</b>	<b>(850)</b>	<b>2,759</b>	<b>-</b>

Income taxes for 2015 amounted to €1,909 million, compared with a credit position of €850 million in 2014.

Income taxes therefore increased by €2,759 million compared with the previous year, as a result of the sharp increase in income before taxes and of the following non-recurring factors:

- > adjustment of net deferred tax assets in Italy totaling €197 million, as a result of the Stability Act passed in December 2015, reducing the IRES rate from 27.5% to 24% as from January 1, 2017;
- > the recognition of deferred tax assets in 2014 in the amount of €1,392 million in respect of Enel Iberoamérica (formerly Enel Energy Europe) following the distribution of dividends associated with a number of non-recurring corporate transactions;

- > a reduction in taxes in the period on non-recurring transactions subject to non-standard tax rates, in particular the effect of remeasurements at fair value and the negative goodwill on 3Sun and the gains from the sale of SE Hydropower;
- > a reduction of €50 million in IRAP due to changes in the deductibility of personnel costs for IRAP purposes;
- > the effect of the change in tax rates on deferred taxation, mainly in Chile, Colombia, Peru and Spain, recognized in 2014, which had produced a net benefit of €146 million: in 2015, the changes in tax rates in the above countries began to impact current income taxes.

Note that in 2014 an increase of €366 million in taxes was recognized as a result of an adjustment of deferred taxation

in Italy following a court ruling that the IRES surtax (the so-called Robin Hood Tax) was unconstitutional after a lengthy administrative proceeding.

The following table reconciles the theoretical tax rate with

the effective tax rate. Please note that the estimated taxes of Group companies outside of Italy in 2015 – including the effect of deferred taxation – were a negative €751 million (compared with €1,885 million in 2014).

Millions of euro

	<b>2015</b>		2014	
Income before taxes	5,281		(78)	
Theoretical taxes	1,452	27.5%	(21)	27.5%
Change in tax effect on impairment losses, capital gains and negative goodwill	(51)		245	
Tax credit from distribution of Endesa dividends	-		(1,392)	
Impact on deferred taxation of changes in tax rates	197		(146)	
IRES surtax (Decree Law 112/2008)	-		188	
IRAP	250		320	
Other differences, effect of different foreign tax rates, and minor items	61		(44)	
<b>Total</b>	<b>1,909</b>		<b>(850)</b>	

## 14. Basic and diluted earnings per share

Both metrics are calculated on the basis of the average number of ordinary shares in the period, equal to 9,403,357,795

shares, adjusted for the diluting effect of outstanding stock options (none in both periods).

	<b>2015</b>	2014	Change	
Net income from continuing operations attributable to shareholders of the Parent Company (millions of euro)	2,196	517	1,679	-
Net income from discontinued operations attributable to shareholders of the Parent Company (millions of euro)	-	-	-	-
Net income attributable to shareholders of the Parent Company (millions of euro)	2,196	517	1,679	-
Number of ordinary shares	9,403,357,795	9,403,357,795	-	-
Dilutive effect of stock options	-	-	-	-
Basic and diluted earnings per share (euro)	0.23	0.05	0.18	-
Basic and diluted earnings from continuing operations per share (euro)	0.23	0.05	0.18	-
Basic and diluted earnings from discontinued operations per share (euro)	-	-	-	-

## 15. Property, plant and equipment - €73,307 million

The breakdown of and changes in property, plant and equipment for 2015 are shown below.

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment
Cost	558	8,711	144,890	386
Accumulated depreciation	-	4,902	83,970	312
<b>Balance at Dec. 31, 2014</b>	<b>558</b>	<b>3,809</b>	<b>60,920</b>	<b>74</b>
Capital expenditure	67	59	1,014	21
Assets entering service	44	377	4,463	5
Exchange rate differences	(20)	6	(723)	-
Change in scope of consolidation	2	56	(171)	8
Disposals	(1)	(16)	(87)	(1)
Depreciation	-	(135)	(3,789)	(18)
Impairment losses	-	(303)	(712)	(8)
Reversal of impairment losses	-	1	20	-
Other changes	13	(25)	169	(4)
<b>Total changes</b>	<b>105</b>	<b>20</b>	<b>184</b>	<b>3</b>
Cost	663	8,788	147,014	400
Accumulated depreciation	-	4,959	85,910	323
<b>Balance at Dec. 31, 2015</b>	<b>663</b>	<b>3,829</b>	<b>61,104</b>	<b>77</b>

Other assets	Leased assets	Leasehold improvements	Assets under construction and advances	<b>Total</b>
1,332	1,091	332	6,442	163,742
1,042	226	201	-	90,653
<b>290</b>	<b>865</b>	<b>131</b>	<b>6,442</b>	<b>73,089</b>
46	11	10	5,125	6,353
37	-	29	(4,955)	-
(13)	(4)	-	(391)	(1,145)
-	(15)	(5)	249	124
(1)	-	(1)	(6)	(113)
(76)	(48)	(26)	-	(4,092)
(2)	-	-	(221)	(1,246)
-	-	-	-	21
(27)	(37)	2	225	316
<b>(36)</b>	<b>(93)</b>	<b>9</b>	<b>26</b>	<b>218</b>
1,289	1,030	364	6,468	166,016
1,035	258	224	-	92,709
<b>254</b>	<b>772</b>	<b>140</b>	<b>6,468</b>	<b>73,307</b>

“Plant and machinery” includes assets to be relinquished free of charge with a net carrying amount of €8,516 million (€8,269 million at December 31, 2014), largely regarding power plants in the Iberian Peninsula and Latin America amounting to €5,155 million (€4,820 million at December 31, 2014) and the electricity distribution network in Latin America totaling €2,998 million (€3,027 million at December 31, 2014).

For more information on “leased assets”, please see note 17 below.

The table below summarizes capital expenditure in 2015 by category. These expenditures, totaling € 6,353 million, increased by €334 million on 2014.

Millions of euro

	2015	2014
<b>Power plants:</b>		
- thermal	757	884
- hydroelectric	807	656
- geothermal	197	169
- nuclear	128	787
- alternative energy resources	1,900	1,256
<b>Total power plants</b>	<b>3,789</b>	<b>3,752</b>
Electricity distribution networks	2,466	2,115
Land, buildings and other assets and equipment	98	152
<b>TOTAL</b>	<b>6,353</b>	<b>6,019</b>

Capital expenditure on power plants amounted to €3,789 million, an increase of €37 million on the previous year, essentially reflecting increased investment in renewable generation plants (mainly wind plants totaling €1,233 million and photovoltaic plants amounting to €628 million) and in hydroelectric facilities by the Renewable Energy Division. Capital expenditure for the electricity distribution network amounted to €2,446 million, up €351 million compared with the previous year. The increase is essentially attributable to greater investment in the medium and low-voltage grids in Italy and Latin America.

The “change in scope of consolidation” for the period mainly concerned the acquisitions of control of 3Sun, in the 1st Quarter of 2015, the acquisition of 68% of BLP Energy, an Indian company operating in the renewables generation sector, and the full consolidation of Osage Wind, which had previously been accounted for using the equity method. These effects were partly offset by the disposal of the Portuguese companies and the deconsolidation of the Italian solar assets of the Renewable Energy Division.

“Impairment losses” on property, plant and equipment amounted to €1,246 million. For a more detailed analysis, please see note 8.d.

At December 31, 2015, testing was conducted of the recoverability of the value of the assets of a number of CGUs (Enel Russia, Enel Green Power Hellas and Enel Produzione) that showed evidence of impairment, following which it was determined that the values were essentially recoverable.

In order to verify the robustness of the value in use identified for those CGUs, sensitivity analyses were conducted for the main value drivers, and in particular WACC, the long-term growth rate and EBITDA, assuming individual changes in each assumption of up to 5% of the value used in the tests.

For the Enel Produzione CGU, the analysis found that in the case of changes in EBITDA or WACC within the range noted above and holding the other assumptions unchanged, the value in use would not exceed the carrying amount. Accordingly, in view of this evidence and confirming the impairment indicators already identified last year, no write-back of its value was performed.

“Other changes” include, among other items, the effect of the capitalization of interest on specific loans for capital

expenditure in the amount of €208 million (€196 million in 2014), as detailed in the following table.

Millions of euro

	2015	% rate	2014	% rate	Change	
Renewable Energy	80	5.2%	59	4.8%	21	35.6%
Latin America	104	23.7%	75	14.8%	29	38.7%
Eastern Europe <sup>(1)</sup>	-	-	41	2.6%	(41)	-
Iberian Peninsula	7	2.7%	6	3.0%	1	16.7%
Italy	17	4.2%	15	5.0%	2	13.3%
<b>Total</b>	<b>208</b>		<b>196</b>		<b>12</b>	<b>6.1%</b>

(1) The figure does not include €51 million regarding units classified as “held for sale.”

At December 31, 2015, contractual commitments to purchase property, plant and equipment amounted to €424 million.

## 16. Infrastructure within the scope of “IFRIC 12 - *Service concession arrangements*”

Service concession arrangements, which are recognized in accordance with IFRIC 12, regard certain infrastructure serving concessions for electricity distribution in Brazil.

The following table summarizes the salient details of those concessions.

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	Amount recognized among financial assets at Dec. 31, 2015	Amount recognized among intangible assets at Dec. 31, 2015
Ampla Energia e Serviços	Brazilian government	Electricity distribution	Brazil	1997-2026	11 years	Yes	425	810
Companhia Energética do Ceará	Brazilian government	Electricity distribution	Brazil	1998-2028	12 years	Yes	206	692
<b>Total</b>							<b>631</b>	<b>1,502</b>

The value of the assets at the end of the concessions classified under financial assets has been measured at fair value.

For more details, please see note 45 “Assets measured at fair value.”

## 17. Leases

The Group, in the role of lessee, has entered into finance lease agreements. They include certain assets which the Group is using in Spain, France, Greece, Italy and Latin America. More specifically, in Spain the assets relate to a 25-year “tolling” contract for which an analysis pursuant to IFRIC 4 identified an embedded finance lease, under which Endesa has access to the generation capacity of a combined cycle plant for which the toller, Elecgas, has undertaken to transform gas into electricity in exchange for a toll at a rate of 9.62%. The other lease agreements regard wind plants that the Group uses in Italy (with a term of 18 years expiring in 2030-2031)

and a discount rate of between 4.95% and 5.5%.

In Latin America, the assets relate to leased power transmission lines and plant (Ralco-Charrúa), with a residual term of eight years on the lease at a 6.5% rate, a lease of a combined-cycle plant (Talara) with a term of nine years at a fixed rate of 5.8%, as well as a number of combined-cycle plants in Peru (residual lease term of one year bearing a floating rate).

The carrying amount of assets held under finance leases is reported in the following table.

Millions of euro

	2015	2014	Change	
Property, plant and equipment	772	865	(93)	-10.8%
Intangible assets	-	-	-	-
<b>Total</b>	<b>772</b>	<b>865</b>	<b>(93)</b>	<b>-10.8%</b>

The following table reconciles total future minimum lease payments and the present value, broken down by maturity.

Millions of euro	Future minimum payments	Present value of future minimum payments	Future minimum payments	Present value of future minimum payments
	at Dec. 31, 2015		at Dec. 31, 2014	
<b>Periods:</b>				
- 2016	97	58	102	62
- 2017-2020	322	199	398	250
- Beyond 2020	696	498	750	526
<b>Total</b>	<b>1,115</b>	<b>755</b>	<b>1,250</b>	<b>838</b>
Finance charges	(360)		(412)	
<b>Present value of minimum lease payments</b>	<b>755</b>		<b>838</b>	

The Group, in the role of lessee, has entered also into operating lease agreements regarding the use of certain assets for industrial purposes. The associated lease payments are expensed under “Services and other materials”

Costs for operating leases are broken down in the following table into minimum payments, contingent rents and sublease payments.

Millions of euro

	2015
Minimum lease payments	2,002
Contingent rents	-
Sublease payments	3
<b>Total</b>	<b>2,005</b>



The future minimum lease payments due by the Group under such leases break down by maturity as follows.

Millions of euro

	2015
<b>Periods:</b>	
- within 1 year	216
- beyond 1 year and within 5 years	841
- beyond 5 years	945
<b>Total</b>	<b>2,002</b>

## 18. Investment property - €144 million

Investment property at December 31, 2015 amounted to €144 million, essentially unchanged on the previous year.

Millions of euro

	2015
Cost	173
Accumulated depreciation and impairment	30
<b>Balance at Dec. 31, 2014</b>	<b>143</b>
Entry into service	-
Depreciation	(8)
Impairment losses	(5)
Other changes	14
<b>Total change</b>	<b>1</b>
Cost	187
Accumulated depreciation and impairment	43
<b>Balance at Dec. 31, 2015</b>	<b>144</b>

The Group's investment property consists of properties in Italy, Spain and Chile, which are free of restrictions on the realizability of the investment property or the remittance of income and proceeds of disposal. In addition, the Group has no contractual obligations to purchase, construct or develop

investment property or for repairs, maintenance or enhancements.

For more details on the valuation of investment property, please see notes 45 "Assets measured at fair value" and 45.1 "Fair value of other assets".

## 19. Intangible assets - €15,235 million

A breakdown of and changes in intangible assets for 2015 are shown below.

Millions of euro	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Service concession arrangements	Other	Assets under development and advances	Total
Cost	26	2,735	14,515	3,774	1,656	622	23,328
Accumulated amortization and impairment	17	2,231	1,392	1,836	1,240	-	6,716
<b>Balance at Dec. 31, 2014</b>	<b>9</b>	<b>504</b>	<b>13,123</b>	<b>1,938</b>	<b>416</b>	<b>622</b>	<b>16,612</b>
Capital expenditure	8	118	7	318	18	291	760
Assets entering service	1	239	3	-	22	(265)	-
Exchange rate differences	(2)	(5)	(820)	(500)	14	4	(1,309)
Change in scope of consolidation	-	-	(14)	-	111	17	114
Disposals	(1)	-	-	(9)	-	(17)	(27)
Amortization	(2)	(275)	(162)	(158)	(95)	-	(692)
Impairment losses	-	(1)	(20)	-	(8)	(39)	(68)
Other changes	(3)	1	25	(87)	(52)	(39)	(155)
<b>Total changes</b>	<b>1</b>	<b>77</b>	<b>(981)</b>	<b>(436)</b>	<b>10</b>	<b>(48)</b>	<b>(1,377)</b>
Cost	28	2,999	13,394	2,972	1,642	574	21,609
Accumulated amortization and impairment	18	2,418	1,252	1,470	1,216	-	6,374
<b>Balance at Dec. 31, 2015</b>	<b>10</b>	<b>581</b>	<b>12,142</b>	<b>1,502</b>	<b>426</b>	<b>574</b>	<b>15,235</b>

“Industrial patents and intellectual property rights” relate mainly to costs incurred in purchasing software and open-ended software licenses. The most important applications relate to invoicing and customer management, the development of Internet portals and the management of company systems. Amortization is calculated on a straight-line basis over the asset’s residual useful life (on average between three and five years).

“Concessions, licenses, trademarks and similar rights” in-

clude costs incurred by the gas companies and the foreign electricity distribution companies to acquire customers. Amortization is calculated on a straight-line basis over the average duration of the relationships with the customers acquired or the concessions.

The following table reports service concession arrangements that do not fall within the scope of IFRIC 12.

Millions of euro

	Grantor	Activity	Country	Concession period	Period remaining	Renewal option	at Dec. 31, 2015	Initial fair value
Endesa Distribución Eléctrica	-	Electricity distribution	Spain	Indefinite	Indefinite		5,679	5,673
Codensa	Republic of Colombia	Electricity distribution	Colombia	Indefinite	Indefinite		1,568	1,839
Chilectra	Republic of Chile	Electricity distribution	Chile	Indefinite	Indefinite		1,566	1,667
Empresa de Distribución Eléctrica de Lima Norte	Republic of Peru	Electricity distribution	Peru	Indefinite	Indefinite		641	548
Enel Distributie Muntenia	Romanian Ministry for the Economy	Electricity distribution	Romania	2005-2054	38 years	Yes	155	191

The item includes assets with an indefinite useful life in the amount of €9,454 million (€9,848 million at December 31, 2014), essentially accounted for by concessions for distribution activities in Spain (€5,679 million), Colombia (€1,568 million), Chile (€1,566 million) and Peru (€641 million), for which there is no statutory or currently predictable expiration date. On the basis of the forecasts developed, cash flows for each CGU, with which the various concessions are associated, are sufficient to recover the carrying amount. The change during the year is essentially attributable to changes in exchange rates. For more information on "Service concession arrangements," please see note 24.

The "change in scope of consolidation" for the period mainly regards acquisitions and disposals of the Renewable Energy Division, as well as the acquisition of residential customers connected with the supply of gas in Spain.

"Impairment losses" amounted to €68 million in 2015; for more details, please see note 8.d.

At December 31, 2015, contractual commitments for the acquisition of intangible assets amounted to €16 million.

## 20. Goodwill - €13,824 million

“Goodwill” amounted to €13,824 million, a decrease of €203 million for the year.

Millions of euro	at Dec. 31, 2014		Change in the scope of consolidation	
	Cost	Accumulated impairment	Net carrying amount	
Endesa	10,999	(2,392)	8,607	-
Latin America	3,285	-	3,285	-
Enel Green Power Group <sup>(1)</sup>	990	(119)	871	(241)
Enel Energia	579	-	579	-
Enel Distributie Muntenia	546	-	546	-
Enel Energie Muntenia	113	-	113	-
Nuove Energie	26	-	26	-
<b>Total</b>	<b>16,538</b>	<b>(2,511)</b>	<b>14,027</b>	<b>(241)</b>

(1) Enel Green Power España, Enel Green Power Latin America, Enel Green Power North America, Enel Green Power Hellas, Enel Green Power Romania, Enel Green Power Bulgaria and Enel Green Power Italia.

The “change in scope of consolidation” mainly regards the disposal of the Portuguese companies of the Renewable Energy Division, only partly offset by a number of minor acquisitions the Division made in Mexico.

The criteria used to identify the cash generating units (CGUs) were essentially based (in line with management’s strategic and operational vision) on the specific characteristics of their business, on the operational rules and regulations of the markets in which Enel operates and on the corporate organization, as well as on the level of reporting monitored by management.

The recoverable value of the goodwill recognized was estimated by calculating the value in use of the CGUs using discounted cash flow models, which involve estimating expected future cash flows and applying an appropriate discount rate, selected on the basis of market inputs such as risk-free rates, betas and market risk premiums.

Cash flows were determined on the basis of the best information available at the time of the estimate and drawn:

- > for the explicit period, from the 5-year business plan approved by the Board of Directors of the Parent Company containing forecasts for volumes, revenues, operating costs, capital expenditure, industrial and commercial organization and developments in the main macroeconomic variables (inflation, nominal interest rates and exchange rates) and commodity prices. The explicit period of cash flows considered in impairment testing differs in accordance with the specific features and business cycles of the various CGUs being tested. These differences are generally associated with the different average times needed to build and bring into service the plant and other works that characterize the investments of the specific businesses that make up the CGU (conventional thermal generation, nuclear power, renewables, distribution, etc.);
- > for subsequent years, from assumptions concerning long-

Exchange differences	Impairment losses	at Dec. 31, 2015		
		Cost	Accumulated impairment	Net carrying amount
-	-	10,999	(2,392)	8,607
-	-	3,285	-	3,285
49	(13)	798	(132)	666
-	-	579	-	579
2	-	548	-	548
-	-	113	-	113
-	-	26	-	26
<b>51</b>	<b>(13)</b>	<b>16,348</b>	<b>(2,524)</b>	<b>13,824</b>

term developments in the main variables that determine cash flows, the average residual useful life of assets or the duration of the concessions.

More specifically, the terminal value was calculated as a perpetuity or annuity with a nominal growth rate equal to the long-term rate of growth in electricity and/or inflation (depending on the country and business involved) and in any case no higher than the average long-term growth rate of the reference market. The value in use calculated as de-

scribed above was found to be greater than the amount recognized on the balance sheet, with the exceptions discussed below.

In order to verify the robustness of the value in use of the CGUs, sensitivity analyses were conducted for the main drivers of the values, in particular WACC, the long-term growth rate and margins, the outcomes of which fully supported that value.

The table below reports the composition of the main goodwill values according to the company to which the CGU belongs, along with the discount rates applied and the time

horizon over which the expected cash flows have been discounted.

Millions of euro	Amount	Growth rate <sup>(1)</sup>	Discount rate pre-tax WACC <sup>(2)</sup>	Explicit period of cash flows	Terminal value <sup>(3)</sup>
<b>at Dec. 31, 2015</b>					
Endesa - Iberian Peninsula <sup>(4)</sup>	8,607	1.77%	7.90%	5 years	Perpetuity
Endesa - Latin America	3,285	3.12%	8.42%	5 years	Perpetuity
Enel Russia	-	4.00%	15.31%	5 years	Perpetuity
Enel Romania <sup>(5)</sup>	660	2.30%	7.65%	5 years	Perpetuity
Enel Energia	579	0.16%	11.92%	5 years	15 years
Enel Green Power España	157	2.00%	7.63%	5 years	12 years
Enel Green Power Latin America	350	3.34%	8.16%	5 years	21 years
Enel Green Power North America	131	2.20%	9.27%	5 years	19 years
Enel Green Power Hellas	-	-	-	-	-
Nuove Energie	26	0.20%	9.94%	9 years	16 years
Enel Green Power Italia	23	2.00%	8.50%	5 years	Perpetuity/17 years <sup>(6)</sup>
Enel Green Power Romania	-	2.30%	8.08%	5 years	16 years
Enel Green Power Bulgaria	5	2.20%	8.09%	5 years	14 years

(1) Perpetual growth rate of cash flows after explicit period.

(2) Pre-tax WACC calculated using the iterative method: the discount rate that ensures that the value in use calculated with pre-tax cash flows is equal to that calculated with post-tax cash flows discounted with the post-tax WACC.

(3) The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield for the years indicated in the column.

(4) Goodwill includes the portion of goodwill in respect of Enel Green Power España pertaining to it.

(5) Includes all companies operating in Romania.

(6) The terminal value for Enel Green Power Italia was estimated on the basis of a perpetuity for the hydroelectric and geothermal plants and an expected annuity with a rising yield for a period of 17 years for other renewables technologies (wind, solar, biomass).

At December 31, 2015, impairment testing of the CGUs to which goodwill had been allocated found an impairment loss of €155 million on the Enel Green Power Romania CGU, of which €13 million attributed to goodwill, while the remainder was allocated among the generation assets. The loss is attributable to market forecasts and the regulatory situation in the country.

At December 31, 2014 an impairment loss of €365 million had been recognized on the Enel Russia CGU (formerly Enel OGK-5) and €269 million on the Enel Green Power Hellas CGU.

Amount	Growth rate <sup>(1)</sup>	Discount rate pre-tax WACC <sup>(2)</sup>	Explicit period of cash flows	Terminal value <sup>(3)</sup>
at Dec. 31, 2014				
8,607	1.92%	7.92%	5 years	Perpetuity
3,285	2.67%	8.48%	5 years	Perpetuity
-	0.97%	14.99%	5 years	Perpetuity
659	2.07%	7.90%	5 years	Perpetuity
579	0.13%	11.98%	5 years	15 years
404	2.00%	7.90%	5 years	13 years
308	3.45%	8.53%	5 years	22 years
117	2.17%	7.46%	5 years	20 years
-	-	18.69%	5 years	21 years
26	0.29%	8.98%	10 years	16 years
24	2.00%	8.15%	5 years	Perpetuity/14 years
13	2.07%	8.26%	5 years	17 years
5	2.50%	8.27%	5 years	15 years

## 21. Deferred tax assets and liabilities - €7,386 million and €8,977 million

The following table details changes in deferred tax assets and liabilities by type of timing difference and calculated based on the tax rates established by applicable regulations. The table

also reports the amount of deferred tax assets that, where allowed, can be offset against deferred tax liabilities.

Millions of euro		Increase/(Decrease) taken to income statement	Increase/(Decrease) taken to equity
at Dec. 31, 2014			
<b>Deferred tax assets:</b>			
- differences in the value of intangible assets, and property, plant and equipment	2,239	(357)	2
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	1,166	341	-
- tax loss carried forward	105	(36)	-
- measurement of financial instruments	659	5	195
- employee benefits	995	(210)	(166)
- other items	1,903	253	7
<b>Total</b>	<b>7,067</b>	<b>(4)</b>	<b>38</b>
<b>Deferred tax liabilities:</b>			
- differences on non-current and financial assets	6,765	(208)	8
- measurement of financial instruments	453	(26)	16
- other items	2,002	88	(1)
<b>Total</b>	<b>9,220</b>	<b>(146)</b>	<b>23</b>
<b>Non-offsettable deferred tax assets</b>			
<b>Non-offsettable deferred tax liabilities</b>			
<b>Excess net deferred tax liabilities after any offsetting</b>			

At December 31, 2015, "deferred tax assets" totaled €7,386 million (€7,067 million at December 31, 2014).

The increase during the year amounted to €319 million, mainly reflecting the tax effect of income components not recognized for tax purposes, only partly offset by the reduction associated with the expected decrease in the IRES rate in Italy from 27.5% to 24% as from 2017.

It should also be noted that no deferred tax assets were recorded in relation to prior tax losses in the amount of €1,051 million because, on the basis of current estimates of future taxable income, it is not certain that such assets will be recovered.

"Deferred tax liabilities" amounted to €8,977 million at December 31, 2015 (€9,220 million at December 31, 2014).

They essentially include the determination of the tax effects of the value adjustments to assets acquired as part of the final allocation of the cost of acquisitions made in the various years and the deferred taxation in respect of the differences between depreciation charged for tax purposes, including accelerated depreciation, and depreciation based on the estimated useful lives of assets.



Change in scope of consolidation	Other changes	Exchange rate differences	Reclassification from/to "Assets held for sale"	
<b>at Dec. 31, 2015</b>				
-	140	(26)	-	1,998
-	(11)	(40)	-	1,456
-	71	5	-	145
1	(35)	(1)	-	824
-	17	(16)	-	620
(1)	187	(6)	-	2,343
-	<b>369</b>	<b>(84)</b>	-	<b>7,386</b>
(28)	408	(339)	-	6,606
-	(8)	(2)	-	433
11	(102)	(31)	(29)	1,938
<b>(17)</b>	<b>298</b>	<b>(372)</b>	<b>(29)</b>	<b>8,977</b>
				<b>2,149</b>
				<b>3,310</b>
				<b>430</b>

## 22. Equity investments accounted for using the equity method - €607 million

Investments in joint arrangements and associated companies accounted for using the equity method are as follows.

Millions of euro		% holding	Income effect	Change in scope of consolidation
at Dec. 31, 2014				
<b>Joint arrangements</b>				
Hydro Dolomiti Enel	218	49.0%	20	-
Tejo Energia Produção e Distribuição de Energia Eléctrica	61	38.9%	8	-
Empresa de Energía Cundinamarca	34	40.4%	2	-
RusEnergosbyt	29	49.5%	37	-
Energie Electrique de Tahaddart	29	42.5%	6	-
Electrogas	15	50.0%	7	-
Transmisora Eléctrica de Quillota	9	50.0%	2	-
Centrales Hidroeléctricas de Aysén	8	51.0%	(3)	-
PowerCrop	5	50.0%	(1)	-
Nuclenor	-	50.0%	(58)	-
<b>Associates</b>				
Ultor	-	-	-	72
Elica 2	50	30.0%	-	-
CESI	39	42.7%	-	-
Altomonte FV	-	-	-	39
Tecnatom	30	45.0%	2	-
GNL Quinteros	21	20.0%	6	-
Suministradora Eléctrica de Cádiz	17	33.5%	3	-
Terrae	15	20.0%	(3)	-
Compañía Eólica Tierras Altas	13	35.6%	1	-
ENEOP - Eólicas de Portugal	60	36.0%	8	(68)
Eevm - Empreendimentos Eólicos do Vale do Minho	18	50.0%	11	(23)
Other	201		4	(108)
<b>Total</b>	<b>872</b>		<b>52</b>	<b>(88)</b>

The “change in scope of consolidation” item includes the impact of the deconsolidation of solar assets in Italy following the agreement of October 16, 2015 concerning the companies Ultor and Altomonte, as well as the effects of the full consolidation of Osage and the disposal of a number of Portuguese companies of the Renewable Energy Division.

The application of the equity method to the investments in RusEnergosbyt and PowerCrop incorporates implicit goodwill of €28 million and €9 million, respectively.

“Reclassification from/to ‘Assets held for sale’” regard the investment held in Hydro Dolomiti Enel, which in view of the decisions taken by management meets the require-

Dividends	Reclassification from/to "Assets held for sale"	Other changes	% holding	
at Dec. 31, 2015				
(49)	(189)	-	-	49.0%
(6)	-	-	63	38.9%
-	-	(7)	29	40.4%
(49)	-	15	32	49.5%
(5)	-	-	30	42.5%
(6)	-	-	16	50.0%
-	-	(1)	10	50.0%
-	-	3	8	51.0%
-	-	-	4	50.0%
-	-	58	-	50.0%
-	-	(1)	71	50.0%
-	-	-	50	30.0%
-	-	-	39	42.7%
-	-	-	39	50.0%
-	-	1	33	45.0%
(6)	-	1	22	20.0%
(3)	-	-	17	33.5%
-	-	-	12	20.0%
-	-	-	14	35.6%
-	-	-	-	
(6)	-	-	-	
6	-	15	118	
(124)	(189)	84	607	

ments of IFRS 5 for classification as assets held for sale at December 31, 2015.

The following table provides a summary of financial information for each joint arrangement and associate of the Group not classified as held for sale in accordance with IFRS 5.

Millions of euro	Non-current assets		Current assets		Total assets	
	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
<b>Joint arrangements</b>						
Centrales Hidroeléctricas de Aysén	20	9	1	12	21	21
RusEnergSbyt	4	2	108	105	112	107
Tejo Energia Produção e Distribuição de Energia Eléctrica	326	378	140	139	466	517
Empresa de Energía Cundinamarca	147	169	19	18	166	187
Energie Electrique de Tahaddart	120	132	32	34	152	166
PowerCrop	41	41	16	12	57	53
Nuclenor	69	74	79	99	148	173
<b>Associates</b>						
Ultor	77	-	20	-	97	-
Elica 2	5	6	2	3	7	9
Altomonte FV	212	-	19	-	231	-
Tecnatom	77	72	69	63	146	135
Suministradora Eléctrica de Cádiz	76	77	16	19	92	96
Compañía Eólica Tierras Altas	40	44	4	7	44	51

Non-current liabilities		Current liabilities		Total liabilities		Equity	
at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
-	-	4	5	5	5	16	16
-	-	104	98	104	98	8	9
214	261	90	101	304	362	162	155
72	81	21	22	93	103	73	84
26	43	33	32	59	75	93	91
1	-	33	27	34	27	23	26
98	108	69	86	167	194	(19)	(21)
-	-	-	-	-	-	97	-
-	-	-	-	-	-	7	9
147	-	6	-	153	-	78	-
28	26	46	42	74	68	72	67
24	26	17	19	41	45	51	51
2	12	4	3	6	15	38	36

Millions of euro	Total revenue		Income before tax		Net income from continuing operations	
	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
<b>Joint arrangements</b>						
Centrales Hidroeléctricas de Aysén	-	-	(7)	(14)	(7)	(2)
RusEnergoSbyt	2,019	1,834	94	87	76	68
Tejo Energia Produção e Distribuição de Energia Eléctrica	221	195	29	22	21	16
Empresa de Energía Cundinamarca	119	108	10	13	4	8
Energie Electrique de Tahaddart	55	52	26	23	18	16
PowerCrop	2	3	(2)	(3)	(2)	(2)
Nuclenor	8	25	(42)	(113)	(46)	(112)
<b>Associates</b>						
Ultor	-	-	-	-	-	-
Elica 2	-	-	-	-	-	-
Altomonte FV	10	-	2	-	2	-
Tecnatom	5	97	5	3	5	3
Suministradora Eléctrica de Cádiz	15	16	8	8	8	8
Compañía Eólica Tierras Altas	11	10	3	-	3	-

## 23. Derivatives

Millions of euro	Non-current		Current	
	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
Derivative financial assets	2,343	1,335	5,073	5,500
Derivative financial liabilities	1,518	2,441	5,509	5,441

For more information on derivatives classified as non-current financial assets, please see note 44 for hedging derivatives and trading derivatives.

## 24. Other non-current financial assets - €3,274 million

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Equity investments in other companies measured at fair value	181	157	24	15.3%
Equity investments in other companies	56	56	-	-
Receivables and securities included in net financial debt (see note 24.1)	2,335	2,701	(366)	-13.6%
Service concession arrangements	631	669	(38)	-5.7%
Non-current prepaid financial expense	71	62	9	14.5%
<b>Total</b>	<b>3,274</b>	<b>3,645</b>	<b>(371)</b>	<b>-10.2%</b>

“Other non-current financial assets” decreased by €371 million on 2014. In particular, the decline reflected a reduction of receivables included in net financial debt, as discussed in note 24.1.

“Equity investments in other companies” includes companies whose market value cannot be readily determined and

so, in the absence of plans to sell them, are carried at cost adjusted for any impairment losses.

Equity investments in other companies measured at fair value and at cost break down as follows.

Millions of euro	% holding		% holding		
	at Dec. 31, 2015		at Dec. 31, 2014		Change
Bayan Resources	175	10.0%	147	10.0%	28
Echelon	2	7.1%	4	7.1%	(2)
Galsi	17	17.6%	15	15.6%	2
Other	43		47		(4)
<b>Total</b>	<b>237</b>		<b>213</b>		<b>24</b>

The change on the previous year essentially reflects the increase in the fair value of Bayan Resources, an Indonesian company that operates in the coal extraction industry, as based on market prices for its stock.

“Service concession arrangements” regard amounts due from the grantor for the construction and/or improvement of infrastructure used to provide public services on a concession basis and recognized in application of IFRIC 12.

## 24.1 Other non-current financial assets included in net financial debt - €2,335 million

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Securities held to maturity	117	139	(22)	-15.8%
Financial investments in funds or portfolio management products at fair value through profit or loss	45	40	5	12.5%
Financial receivables in respect of Spanish electrical system deficit	2	-	2	-
Other financial receivables	2,171	2,522	(351)	-13.9%
<b>Total</b>	<b>2,335</b>	<b>2,701</b>	<b>(366)</b>	<b>-13.6%</b>

“Other financial receivables” decreased by €351 million in 2015 compared with the previous year. The change mainly reflects the following factors:

- > the reclassification to short term of €48 million of receivables in respect of the Electricity Equalization Fund, totaling €386 million at December 31, 2015 (€434 million at December 31, 2014), regarding the reimbursement of non-recurring charges connected with the early replacement of electromechanical meters;
- > the reclassification to short term of €57 million of the receivable in respect of the reimbursement, provided for by the Authority for Electricity, Gas and the Water System in Italy with Resolution 157/2012, of costs incurred with the termination of the Electrical Worker Pension Fund in the total amount of €336 million at December 31, 2015 (€393 million at December 31, 2014);
- > a decrease of €259 million as a result of the collection of the financial receivable in respect of ENEOP (accounted for using the equity method in 2014) following its disposal in 2015;
- > a decrease of €126 million in the receivable of the Argentine generation companies in respect of the wholesale electricity market deposited with the FONINMEM (Fondo Nacional de Inversión Mercado Eléctrico Mayorista);
- > a decrease of €96 million in the receivable for CO<sub>2</sub> emissions allowances connected with “new entrant” plants;
- > an increase of €308 million following recognition by the Argentine authority of the transformation into US dollars of the receivable for the construction of the Vuelta de Obligado plant after essentially being completed.

## 25. Other non-current assets - €877 million

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Receivables due from equalization funds, market operators and energy services operators	67	59	8	13.6%
Other receivables	810	826	(16)	-1.9%
<b>Total</b>	<b>877</b>	<b>885</b>	<b>(8)</b>	<b>-0.9%</b>

At December 31, 2015, “other receivables” mainly regard tax receivables in the amount of €463 million (€501 million at December 31, 2014), advances to suppliers in the amount

of €141 million (€141 million at December 31, 2014) and non-monetary grants to be received in respect of green certificates totaling €78 million (€46 million at December 31, 2014).





## 28. Other current financial assets - €2,381 million

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Current financial assets included in net financial position	2,241	3,860	(1,619)	-41.9%
Other	140	124	16	12.9%
<b>Total</b>	<b>2,381</b>	<b>3,984</b>	<b>(1,603)</b>	<b>-40.2%</b>

### 28.1 Other current financial assets included in net financial debt - €2,241 million

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Short-term portion of long-term financial receivables	769	1,566	(797)	-50.9%
Receivables for factoring	147	177	(30)	-16.9%
Securities held to maturity	1	-	1	-
Financial receivables and cash collateral	1,020	1,654	(634)	-38.3%
Other	304	463	(159)	-34.3%
<b>Total</b>	<b>2,241</b>	<b>3,860</b>	<b>(1,619)</b>	<b>-41.9%</b>

The change in "short-term portion of long-term financial receivables" is mainly accounted for by a decrease in financial receivables in respect of the deficit of the Spanish electrical system following the collections received (€2,145 million including the effect of reimbursements for extra-peninsular generation) and net of new receivables accrued in 2015

totaling €1,263 million (also including new receivables for extra-peninsular generation). The decrease was only partly offset by the reclassification of the short-term portion of the receivable from the Electricity Equalization Fund in respect of the reimbursement of non-recurring charges, which were mentioned in note 24.1.

## 29. Other current assets - €2,898 million

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Receivables due from equalization funds, market operators and energy services operators	765	1,010	(245)	-24.3%
Advances to suppliers	219	166	53	31.9%
Receivables due from employees	26	33	(7)	-21.2%
Receivables due from others	960	1,272	(312)	-24.5%
Sundry tax receivables	706	759	(53)	-7.0%
Accrued operating income and prepaid expenses	174	184	(10)	-5.4%
Receivables for construction contracts	48	41	7	17.1%
<b>Total</b>	<b>2,898</b>	<b>3,465</b>	<b>(567)</b>	<b>-16.4%</b>

"Receivables due from equalization funds, market operators and energy services operators" include receivables in respect of the Italian system in the amount of €664 million

(€896 million at December 31, 2014) and the Spanish system in the amount of €101 million (€114 million at December 31, 2014). Including the portion of receivables classified

as long-term in the amount of €67 million (€59 million in 2014), receivables due from equalization funds, market operators and energy services operators at December 31, 2015

totalled €832 million (€1,069 million at December 31, 2014), with payables of €5,122 million (€4,005 million at December 31, 2014).

## 30. Assets classified as held for sale - €6,854 million

Changes in assets held for sale during the year are reported in the following table.

Millions of euro

	at Dec. 31, 2014	Reclassification from/to current and non-current assets	Disposals and change in scope of consolidation	Impairment losses	Other changes	at Dec. 31, 2015
Property, plant and equipment	3,882	-	(94)	(574)	530	3,744
Intangible assets	224	-	(212)	-	(5)	7
Deferred tax assets	1,066	-	(8)	-	8	1,066
Equity investments accounted for using the equity method	18	189	-	-	2	209
Non-current financial assets	976	5	-	-	85	1,066
Other non-current assets	18	-	-	-	-	18
Cash and cash equivalents	27	111	(12)	-	24	150
Current financial assets	42	-	-	-	69	111
Inventories, trade receivables and other current assets	525	-	(43)	-	1	483
<b>Total</b>	<b>6,778</b>	<b>305</b>	<b>(369)</b>	<b>(574)</b>	<b>714</b>	<b>6,854</b>

Assets held for sale amounted to €6,854 million at December 31, 2015. They largely include the assets of Slovenské elektrárne (€6,549 million), Hydro Dolomiti Enel (€189 million), Compostilla RE (€111 million) and other smaller companies, which in view of the decisions taken by management meet the requirements of IFRS 5 for classification as assets held for sale.

“Disposals and change in scope of consolidation” mainly include the disposals of SF Energy and SE Hydropower in the 1st half of 2015.

“Impairment losses” at December 31, 2015 amounted to €574 million and regarded Slovenské elektrárne; for more details, please see note 8.d.

## 31. Liabilities included in disposal groups classified as held for sale - €5,364 million

Liabilities held for sale at December 31, 2015 amounted to €5,364 million. They largely included the liabilities of Slovenské elektrárne (€5,335 million), Compostilla RE (€29 million) and other smaller companies.

Changes in liabilities held for sale during the year are as follows.

Millions of euro

	at Dec. 31, 2014	Reclassification from/to current and non-current liabilities	Disposals and change in scope of consolidation	Other changes	at Dec. 31, 2015
Long-term borrowings	1,422	-	(15)	294	1,701
Employee benefits	67	-	(1)	2	68
Non-current portion of provisions for risks and charges	2,305	-	(4)	(434)	1,867
Deferred tax liabilities	669	29	(82)	23	639
Non-current financial liabilities	148	-	-	83	231
Other non-current liabilities	1	-	-	1	2
Short-term borrowings	191	-	(8)	156	339
Other current financial liabilities	47	-	-	64	111
Current portion of provisions for risks and charges	43	-	-	(24)	19
Trade payables and other current liabilities	397	-	(22)	12	387
<b>Total</b>	<b>5,290</b>	<b>29</b>	<b>(132)</b>	<b>177</b>	<b>5,364</b>

The change in liabilities held for sale compared with December 31, 2014 largely reflects the classifications and disposals made under this item during 2015.

For a summary of the fair value balances, broken down by measurement criteria, please see notes 45 and 46 on IFRS 13 disclosures.

## 32. Shareholders' equity - €51,751 million

### 32.1 Equity attributable to the shareholders of the Parent Company - €32,376 million

#### Share capital - €9,403 million

At December 31, 2015 (as at December 31, 2014), the share capital of Enel SpA – considering that there were no approved stock option plans (and thus no options exercised) – amounted to €9,403,357,795 fully subscribed and paid up, represented by 9,403,357,795 ordinary shares with a par value of €1.00 each.

At the same date, based on the shareholders register and the notices submitted to CONSOB and received by the Company pursuant to Article 120 of Legislative Decree 58 of February 24, 1998, as well as other available information, no shareholders held more than 2% of the total share capital, apart from the Ministry for the Economy and Finance, which holds 25.50%, Norges Bank (with 2.018% of share capital, a stake that fell below 2% on January 8, 2016) and CNP Assurances (which held 2.87% as at June 23, 2015 for asset management purposes).

#### Other reserves - €3,352 million

##### Share premium reserve - €5,292 million

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve contains, in the case of the issue of shares at a price above par, the difference between the issue price of the shares and their par value, including those resulting from conversion from bonds. The reserve, which is a capital reserve, may not be distributed until the legal reserve has reached the threshold established under Article 2430 of the Italian Civil Code.

##### Legal reserve - €1,881 million

The legal reserve is formed of the part of net income that, pursuant to Article 2430 of the Italian Civil Code, cannot be distributed as dividends.

##### Other reserves - €2,262 million

These include €2,215 million related to the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company.

Pursuant to Article 47 of the Uniform Income Tax Code (*Testo Unico Imposte sul Reddito*), this amount does not constitute taxable income when distributed.

##### Reserve from translation of financial statements in currencies other than euro - €(1,956) million

The decrease for the year, equal to €635 million, is due to the net appreciation of the functional currency against the foreign currencies used by subsidiaries.

##### Reserve from measurement of cash flow hedge financial instruments - €(1,341) million

This includes the net charges recognized in equity from the measurement of cash flow hedge derivatives. The cumulative tax effect is equal to €405 million.

##### Reserve from measurement of financial instruments available for sale - €130 million

This includes net unrealized income from the measurement at fair value of financial assets.

There is no cumulative tax effects associated with the reserve, taking account of the tax systems of the countries in which those financial instruments are held.

##### Reserve from equity investments accounted for using the equity method - €(54) million

The reserve reports the share of comprehensive income to be recognized directly in equity of companies accounted for using the equity method. The cumulative tax effect is equal to €13 million.

##### Reserve from remeasurement of net defined benefit plan liabilities/(assets) - €(551) million

The reserve includes all actuarial gains and losses, net of tax effects. The change is attributable to the increase in net actuarial losses recognized during the period. The cumulative tax effect is equal to €83 million.

##### Reserve from disposal of equity interests without loss of control - €(2,115) million

This item reports:

- > the gain posted on the public offering of Enel Green Power shares, net of expenses associated with the disposal and the related taxation;
- > the sale of minority interests recognized as a result of the Enersis capital increase;

- > the capital loss, net of expenses associated with the disposal and the related taxation, from the public offering of 21.92% of Endesa.

The change for the period, a negative €2 million, represents the net balance between the capital loss recognized fol-

lowing the exercise of the bonus share option by the minority shareholders of Endesa, which resulted in the disposal of 0.04% of that company, and the income from the disposal of minority interests in Enel Green Power North America Renewable Energy Partners.

### Reserve from transactions in non-controlling interests - €(196) million

The reserve reports the amount by which the purchase price in purchases from third parties of additional stakes in companies already controlled in Latin America (generated in previous years by the purchase of additional stakes in Ampla Energia e Serviços, Ampla Investimentos e Serviços,

Eléctrica Cabo Blanco, Coelce, Generandes Perú, Enersis and Endesa Latinoamérica) exceeds the value of the equity acquired. The change for the period, a negative €3 million, regards the difference between the purchase price and the associated share of equity acquired from non-controlling shareholders of Energia Eolica.

### Retained earnings and loss carried forward - €19,621 million

The reserve reports earnings from previous years that have not been distributed or allocated to other reserves.

The table below shows the changes in gains and losses recognized directly in other comprehensive income, including non-controlling interests, with specific reporting of the related tax effects.

Millions of euro

	at Dec. 31, 2014			Changes						at Dec. 31, 2015		
	Total	Of which shareholders of the Parent Company	Of which non- controlling interests	Gains/ (Losses) recognized in equity for the year	Released to income statement	Taxes	Total	Of which shareholders of the Parent Company	Of which non- controlling interests	Total	Of which shareholders of the Parent Company	Of which non- controlling interests
Reserve from translation of financial statements in currencies other than euro	(3,112)	(1,321)	(1,791)	(1,743)	-	-	(1,743)	(635)	(1,108)	(4,855)	(1,956)	(2,899)
Reserve from measurement of cash flow hedge financial instruments	(2,056)	(1,806)	(250)	29	101	229	359	465	(106)	(1,697)	(1,341)	(356)
Reserve from measurement of financial instruments available for sale	104	105	(1)	25	-	-	25	25	-	129	130	(1)
Share of OCI of equity investments accounted for using the equity method	(73)	(74)	1	23	8	(2)	29	20	9	(44)	(54)	10
Remeasurements of net employee benefit liabilities/ (assets)	(872)	(671)	(201)	344	-	(160)	184	120	64	(688)	(551)	(137)
<b>Total gains/ (losses) recognized in equity</b>	<b>(6,009)</b>	<b>(3,767)</b>	<b>(2,242)</b>	<b>(1,322)</b>	<b>109</b>	<b>67</b>	<b>(1,146)</b>	<b>(5)</b>	<b>(1,141)</b>	<b>(7,156)</b>	<b>(3,772)</b>	<b>(3,383)</b>

## 32.2 Dividends

	Amount distributed (millions of euro)	Net dividend per share (euro)
<b>Net dividends paid in 2014</b>		
Dividends for 2013	1,222	0.13
Interim dividends for 2014	-	-
Extraordinary dividends	-	-
<b>Total dividends paid in 2014</b>	<b>1,222</b>	<b>0.13</b>
<b>Net dividends paid in 2015</b>		
Dividends for 2014	1,316	0.14
Interim dividends for 2015	-	-
Extraordinary dividends	-	-
<b>Total dividends paid in 2015</b>	<b>1,316</b>	<b>0.14</b>

The dividend for 2015, equal to €0.16 per share, for a total of €1,627 million, was proposed to the Shareholders' Meeting called for May 26, 2016. These financial statements do not

reflect the impact of the distribution of the dividend for 2015 to shareholders.

### Capital management

The Group's objectives for managing capital comprise safeguarding the business as a going concern, creating value for stakeholders and supporting the development of the Group. In particular, the Group seeks to maintain an adequate capitalization that enables it to achieve a satisfactory return for shareholders and ensure access to external sources of financing, in part by maintaining an adequate rating.

In this context, the Group manages its capital structure and adjusts that structure when changes in economic conditions so require. There were no substantive changes in objectives, policies or processes in 2015.

To this end, the Group constantly monitors developments in the level of its debt in relation to equity. The situation at December 31, 2015 and 2014 is summarized in the following table.

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change
Non-current financial position	44,872	48,655	(3,783)
Net current financial position	(4,992)	(8,571)	3,579
Non-current financial receivables and long-term securities	(2,335)	(2,701)	366
<b>Net financial debt</b>	<b>37,545</b>	<b>37,383</b>	<b>162</b>
Equity attributable to the shareholders of the Parent Company	32,376	31,506	870
Non-controlling interests	19,375	19,639	(264)
<b>Shareholders' equity</b>	<b>51,751</b>	<b>51,145</b>	<b>606</b>
<b>Debt/equity ratio</b>	<b>0.73</b>	<b>0.73</b>	-

### 32.3 Non-controlling interests - €19,375 million

The following table reports the composition of non-controlling interests by Division.

Millions of euro	Non-controlling interests		Net income attributable to non-controlling interests	
	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
Endesa Group	6,742	6,648	280	116
Enel Latinoamérica Group	8,052	8,690	1,032	464
ElH Group	803	1,134	(275)	31
Slovenské Group	386	385	(3)	(523)
Enel Green Power Group	3,392	2,782	142	167
<b>Total</b>	<b>19,375</b>	<b>19,639</b>	<b>1,176</b>	<b>255</b>

## 33. Borrowings

Millions of euro	Non-current		Current	
	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
Long-term borrowings	44,872	48,655	5,733	5,125
Short-term borrowings	-	-	2,155	3,252
<b>Total</b>	<b>44,872</b>	<b>48,655</b>	<b>7,888</b>	<b>8,377</b>

For more details on the nature of borrowings, please see note 41 "Financial instruments".



## 34. Employee benefits - €2,284 million

The Group provides its employees with a variety of benefits, including deferred compensation benefits, additional months' pay for having reached age limits or eligibility for old-age pension, loyalty bonuses for achievement of seniority milestones, supplemental retirement and healthcare plans, residential electricity discounts (which for companies in Italy only regarded certain retired employees) and similar benefits. More specifically:

- > for Italy, the item "pension benefits" regards estimated accruals made to cover benefits due under the supplemental retirement schemes of retired executives and the benefits due to personnel under law or contract at the time the employment relationship is terminated. For the foreign companies, the item reports post-employment benefits;
- > the item "electricity discount" comprises benefits regarding electricity supply associated with foreign companies. For Italy, that benefit, which was granted until the end of 2015 to retired employees only, was unilaterally cancelled;
- > the item "health insurance" reports benefits for current or retired employees covering medical expenses;
- > the item "other benefits" mainly regard the loyalty bonus, which for Italy is represented by the estimated liability for the benefit entitling employees covered by the elec-

tricity workers national collective bargaining agreement to a bonus for achievement of seniority milestones (25th and 35th year of service). It also includes other incentive plans, which provide for the award to certain Company managers of a monetary bonus subject to specified conditions.

Outside of Italy, major pension plans include those of Endesa, in Spain, which break down into three types that differ on the basis of employee seniority and company. In general, under the framework agreement of October 25, 2000, employees participate in a specific defined-contribution pension plan and, in cases of disability or death of employees in service, a defined benefit plan which is covered by appropriate insurance policies. In addition, the group has two other limited-enrollment plans: (i) for current and retired Endesa employees covered by the electricity industry collective bargaining agreement prior to the changes introduced with the framework agreement noted earlier; and (ii) for employees of the former Catalan companies (Fecsa/Enher/HidroEmpordà). Both are defined benefit plans and benefits are fully ensured, with the exception of the former plan for benefits in the event of the death of a retired employee. Finally, the Brazilian companies have also established defined benefit plans.

The following table reports changes in the defined benefit obligation for post-employment and other long-term employee benefits at December 31, 2015 and December 31,

2014, respectively, as well as a reconciliation of that obligation with the actuarial liability.

Millions of euro

2015

	Pension benefits	Electricity discount	Health insurance	Other benefits	Total
<b>CHANGES IN ACTUARIAL OBLIGATION</b>					
<b>Actuarial obligation at the start of the year</b>	<b>2,458</b>	<b>1,927</b>	<b>223</b>	<b>263</b>	<b>4,871</b>
Current service cost	24	6	5	54	89
Interest expense	106	41	10	8	165
Actuarial (gains)/losses arising from changes in demographic assumptions	1	-	-	-	1
Actuarial (gains)/losses arising from changes in financial assumptions	(124)	(66)	(8)	4	(194)
Experience adjustments	10	(196)	2	4	(180)
Past service cost	(43)	-	-	(5)	(48)
(Gains)/Losses arising from settlements	1	(902)	-	-	(901)
Exchange differences	(157)	(1)	(17)	(6)	(181)
Employer contributions	-	-	-	-	-
Employee contributions	1	-	-	-	1
Benefits paid	(154)	(88)	(13)	(39)	(294)
Other changes	4	3	-	2	9
Liabilities classified as held for sale	(1)	-	-	-	(1)
<b>Actuarial obligation at year-end (A)</b>	<b>2,126</b>	<b>724</b>	<b>202</b>	<b>285</b>	<b>3,337</b>
<b>CHANGES IN PLAN ASSETS</b>					
<b>Fair value of plan assets at the start of the year</b>	<b>1,252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,252</b>
Interest income	68	-	-	-	68
Expected return on plan assets excluding amounts included in interest income	(30)	-	-	-	(30)
Exchange differences	(125)	-	-	-	(125)
Employer contributions	98	88	13	24	223
Employee contributions	1	-	-	-	1
Benefits paid	(154)	(88)	(13)	(24)	(279)
Other payments	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-
<b>Fair value of plan assets at year-end (B)</b>	<b>1,110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,110</b>
<b>EFFECT OF ASSET CEILING</b>					
<b>Asset ceiling at the start of the year</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68</b>
Interest income	5	-	-	-	5
Changes in asset ceiling	2	-	-	-	2
Exchange differences	(18)	-	-	-	(18)
Change in scope of consolidation	-	-	-	-	-
<b>Asset ceiling at year-end (C)</b>	<b>57</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>57</b>
<b>Net liability in balance sheet (A-B+C)</b>	<b>1,073</b>	<b>724</b>	<b>202</b>	<b>285</b>	<b>2,284</b>

2014

Pension benefits	Electricity discount	Health insurance	Other benefits	Total
<b>2,366</b>	<b>1,848</b>	<b>209</b>	<b>362</b>	<b>4,785</b>
17	6	4	48	<b>75</b>
125	60	11	10	<b>206</b>
1	1	-	1	<b>3</b>
270	173	9	(7)	<b>445</b>
(24)	(39)	5	(17)	<b>(75)</b>
(4)	(36)	(2)	(24)	<b>(66)</b>
8	-	-	-	<b>8</b>
(4)	-	(1)	(18)	<b>(23)</b>
-	-	-	-	<b>-</b>
1	-	-	-	<b>1</b>
(237)	(88)	(13)	(89)	<b>(427)</b>
5	2	1	(2)	<b>6</b>
(66)	-	-	(1)	<b>(67)</b>
<b>2,458</b>	<b>1,927</b>	<b>223</b>	<b>263</b>	<b>4,871</b>
<b>1,187</b>	-	-	-	<b>1,187</b>
82	-	-	-	<b>82</b>
28	-	-	-	<b>28</b>
4	-	-	-	<b>4</b>
186	88	13	22	<b>309</b>
1	-	-	-	<b>1</b>
(237)	(88)	(13)	(22)	<b>(360)</b>
-	-	-	-	<b>-</b>
-	-	-	-	<b>-</b>
<b>1,251</b>	-	-	-	<b>1,251</b>
<b>58</b>	-	-	-	<b>58</b>
7	-	-	-	<b>7</b>
2	-	-	-	<b>2</b>
-	-	-	-	<b>-</b>
-	-	-	-	<b>-</b>
<b>67</b>	-	-	-	<b>67</b>
<b>1,274</b>	<b>1,927</b>	<b>223</b>	<b>263</b>	<b>3,687</b>

Millions of euro

	2015	2014
<b>(Gains)/Losses charged to profit or loss</b>		
Service cost and past service cost	(5)	(26)
Net interest expense	102	131
(Gains)/Losses arising from settlements	(901)	8
Actuarial (gains)/losses on other long-term benefits	46	34
Other changes	1	7
<b>Total</b>	<b>(757)</b>	<b>154</b>

Millions of euro

	2015	2014
<b>Change in (gains)/losses in OCI</b>		
Return on plan assets excluding amounts included in interest income	30	(28)
Actuarial (gains)/losses on defined benefit plans	(374)	366
Changes in asset ceiling excluding amounts included in interest income	2	2
Other changes	(2)	-
<b>Total</b>	<b>(344)</b>	<b>340</b>

The change in cost recognized through profit or loss is mainly attributable to the cancellation (with effect from the end of December 2015), for the Italian companies only, of the electricity discount benefit, which involved the reversal of the associated liability.

In addition, the supplemental provisions of the union agreements implementing the new plan under Article 4 of the Fornero Act established in December 2015 prompted an

adjustment of the liability in respect of other employee benefit plans, with a positive impact in respect of past service cost of €48 million.

The liability recognized in the balance sheet at the end of the year is reported net of the fair value of plan assets, entirely accounted for by the Enersis Group and the Endesa Group, amounting to €1,110 million at December 31, 2015.

The plan assets break down as follows:

	2015	2014
<b>Investment quoted in active markets</b>		
Equity instruments	4%	5%
Fixed-income securities	25%	29%
Investment property	4%	5%
Other	1%	-
<b>Unquoted investments</b>		
Assets held by insurance undertakings	-	-
Other	67%	61%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The main actuarial assumptions used to calculate the liabilities in respect of employee benefits and the plan assets,

which are consistent with those used the previous year, are set out in the following table.

	Italy	Iberian Peninsula	Latin America	Other	Italy	Iberian Peninsula	Latin America	Other
	2015				2014			
Discount rate	0.5%-2.15%	1.17%-2.56%	4.95%-14.21%	2.03%-9.72%	0.50%-2.15%	0.87%-2.11%	4.60%-12.52%	1.60%-13.89%
Inflation rate	1.60%	2.00%	3.00%-6.50%	1.50%-5.50%	1.60%	2.30%	3.00%-6.00%	1.75%-5.00%
Rate of wage increases	1.60%-3.60%	2.00%	3.00%-9.69%	2.00%-5.50%	1.60%-3.60%	2.30%	3.00%-9.18%	1.75%-5.00%
Rate of increase in healthcare costs	2.60%	3.20%	4.20%-9.69%	-	2.60%	3.50%	3.50%-8.66%	-
Expected rate of return on plan assets	-	2.54%	4.18%-14.21%	-	-	2.06%	12.52%	-

The following table reports the outcome of a sensitivity analysis that demonstrates the effects on the defined benefit obligation of changes reasonably possible at the end

of the year in the actuarial assumptions used in estimating the obligation.

Millions of euro	Pension benefits	Electricity discount	Health insurance	Other benefits	Pension benefits	Electricity discount	Health insurance	Other benefits
	at Dec. 31, 2015				at Dec. 31, 2014			
Decrease of 0.5% in discount rate	131	60	12	4	156	58	11	5
Increase of 0.5% in discount rate	(116)	(54)	(12)	(10)	(134)	(120)	(13)	(6)
Increase of 0.5% in inflation rate	33	59	8	4	31	137	8	5
Decrease of 0.5% in inflation rate	(26)	(38)	(9)	(7)	-	-	-	-
Increase of 0.5% in remuneration	8	-	-	2	27	-	-	7
Increase of 0.5% in pensions currently being paid	11	-	-	(3)	52	-	-	-
Increase of 1% in healthcare costs	-	-	20	-	-	-	24	-
Increase of 1 year in life expectancy of active and retired employees	47	24	3	(2)	17	81	11	1

The sensitivity analysis used an approach that extrapolates the effect on the defined benefit obligation of reasonable changes in an individual actuarial assumption, leaving the other assumptions unchanged.

The contributions expected to be paid into defined benefit plans in the subsequent year amount to €16 million.

The following table reports expected benefit payments in the coming years for defined benefit plans.

Millions of euro	at Dec. 31, 2015	at Dec. 31, 2014
Within 1 year	201	265
In 1-2 years	211	257
In 2-5 years	601	801
More than 5 years	944	1,406

## 35. Provisions for risks and charges - €6,822 million

Millions of euro

	at Dec. 31, 2015		at Dec. 31, 2014	
	Non-current	Current	Non-current	Current
<b>Provision for litigation, risks and other charges:</b>				
- nuclear decommissioning	528	-	566	1
- retirement, removal and site restoration	611	11	594	5
- litigation	762	47	810	40
- environmental certificates	-	19	-	43
- taxes and duties	290	20	309	7
- other	819	1,062	693	581
<b>Total</b>	<b>3,010</b>	<b>1,159</b>	<b>2,972</b>	<b>677</b>
Provision for early retirement incentives	2,182	471	1,079	510
<b>TOTAL</b>	<b>5,192</b>	<b>1,630</b>	<b>4,051</b>	<b>1,187</b>

Millions of euro		Accrual	Reversal	Utilization	Unwinding of interest	Change in scope of consolidation	Translation adjustment	Other	
	at Dec. 31, 2014								at Dec. 31, 2015
<b>Provision for litigation, risks and other charges:</b>									
- nuclear decommissioning	567	-	-	-	8	-	-	(47)	528
- retirement, removal and site restoration	599	14	(28)	(26)	9	(4)	(3)	61	622
- litigation	850	231	(140)	(101)	41	-	(51)	(21)	809
- environmental certificates	43	18	(38)	(4)	-	-	-	-	19
- taxes and duties	316	43	(11)	(34)	6	(1)	(5)	(4)	310
- other	1,274	683	4	(209)	33	1	(47)	142	1,881
<b>Total</b>	<b>3,649</b>	<b>989</b>	<b>(213)</b>	<b>(374)</b>	<b>97</b>	<b>(4)</b>	<b>(106)</b>	<b>131</b>	<b>4,169</b>
Provision for early retirement incentives	1,589	1,630	(52)	(526)	15	-	-	(3)	2,653
<b>TOTAL</b>	<b>5,238</b>	<b>2,619</b>	<b>(265)</b>	<b>(900)</b>	<b>112</b>	<b>(4)</b>	<b>(106)</b>	<b>128</b>	<b>6,822</b>

### Nuclear decommissioning provision

At December 31, 2015, the provision reflected solely the costs that will be incurred at the time of decommissioning of nuclear plants by Enresa, a Spanish public enterprise responsible for such activities in accordance with Royal Decree 1349/2003 and Law 24/2005. Quantification of the costs is based on the standard contract between Enresa and the electricity companies approved by the Ministry for the Economy in September 2001, which regulates the retirement and closing of nuclear

power plants. The time horizon envisaged, three years, corresponds to the period from the termination of power generation to the transfer of plant management to Enresa (so-called post-operational costs) and takes account, among the various assumptions used to estimate the amount, of the quantity of unused nuclear fuel expected at the date of closure of each of the Spanish nuclear plants on the basis of the provisions of the concession agreement.

## Non-nuclear plant retirement and site restoration provision

The provision for “non-nuclear plant retirement and site restoration” represents the present value of the estimated cost for the retirement and removal of non-nuclear plants where there is a legal or constructive obligation to do so.

## Litigation provision

The “litigation” provision covers contingent liabilities in respect of pending litigation and other disputes. It includes an estimate of the potential liability relating to disputes that arose during the period, as well as revised estimates of the potential costs associated with disputes initiated in prior periods. The estimates are based on the opinions of internal and external legal counsel. The balance for litigation mainly regards distribution companies in Brazil (€135 million) and Spain (€154 million). It primarily regards disputes concerning service quality and disputes with employees or end users.

The change for the year essentially reflects developments in a number of disputes, especially in Spain, that arose following disciplinary proceedings in the distribution area and disputes with suppliers (€110 million). These were accompanied by an increase in provisions for litigation in Brazil (€41 million). The balance of the provision decreased despite accruals for the period, mainly due to reversals to profit or loss and uses, especially by Endesa Distribución and the Brazilian companies.

## Provision for environmental certificates

The provision for “environmental certificates” covers costs in respect of shortfalls in the environmental certificates need for compliance with national or supranational environmental protection requirements.

## Other provisions

“Other” provisions cover various risks and charges, mainly in connection with regulatory disputes and disputes with local authorities regarding various duties and fees or other charges. In particular in 2015 the item increased significantly as a result of the provision recognized by the Italian companies for the lump-sum charge for one-off payments to retired employees, totaling an estimated €328 million, following the Group’s unilateral decision to cancel the electricity discount benefit, as well as the provision of €92 million recognized by Enel Re in respect of potential charges for insurance settlements and the

provision for the abandonment of the Girabolhos project by Hidromondego of €46 million.

“Other” changes include €142 million for environmental costs to be incurred in the construction of the El Quimbo plant in Colombia, recognized as a direct increase in the value of the asset. In addition, the balance for other provisions for risks and charges also includes the provision for current and potential disputes concerning local property tax (whether the *Imposta Comunale sugli Immobili* (“ICI”) or the new *Imposta Municipale Unica* (“IMU”)) in Italy, the Group has taken due account of the criteria introduced with circular 6/2012 of the Public Land Agency (which resolved interpretive issues concerning the valuation methods for movable assets considered relevant for property registry purposes, including certain assets typical to generation plants, such as turbines) in estimating the liability for such taxes, both for the purposes of quantifying the probable risk associated with pending litigation and generating a reasonable valuation of probable future charges on positions that have not yet been assessed by Land Agency offices and municipalities.

## Provision for early retirement incentives

The “provision for early retirement incentives” includes the estimated charges related to binding agreements for the voluntary termination of employment contracts in response to organizational needs. The change for the year reflects, among other factors, uses for incentive provisions established in Spain and Italy in previous years, the latter largely associated with the union-company agreements signed on September 6, 2013, implementing, for a number of companies in Italy, the mechanism provided for under Article 4, paragraphs 1-7 *ter*, of Law 92/2012 (the Fornero Act). In December 2015, a new agreement was signed in Italy under the provisions of Article 4 of the Fornero Act. It envisages the voluntary termination of about 6,100 employees in 2016-2020 and prompted an additional accrual to the provision of about €1,196 million. In addition, during 2015 the *Acuerdo de Salida Voluntaria* (ASV) introduced in Spain in 2014 was expanded, with an additional provision of about €390 million (for about 612 employees). The ASV mechanism was agreed in Spain in connection with Endesa’s restructuring and reorganization plan, which provides for the suspension of the employment contract with tacit annual renewal. With regard to that plan, on December 30, 2014, the company had signed an agreement with union representatives in which it undertook to not exercise the option to request a return to work at subsequent annual renewal dates for the employees participating in the mechanism. The provision last year amounted to €349 million for 473 employees.

## 36. Other non-current liabilities - €1,549 million

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Accrued operating expenses and deferred income	966	952	14	1.5%
Other items	583	512	71	13.9%
<b>Total</b>	<b>1,549</b>	<b>1,464</b>	<b>85</b>	<b>5.8%</b>

At December 31, 2015, this item essentially consisted of revenue for electricity and gas connections and grants received for specific assets.

## 37. Trade payables - €11,775 million

The item amounted to €11,775 million (€13,419 million in 2014) and includes payables in respect of electricity supplies, fuel, materials, equipment associated with tenders and other services.

More specifically, trade payables falling due in less than 12 months amounted to €11,261 million (€12,923 million in 2014), while those falling due in more than 12 months amounted to €514 million (€496 million in 2014).

## 38. Other current financial liabilities - €1,063 million

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Deferred financial liabilities	957	1,063	(106)	-10.0%
Other items	106	114	(8)	-7.0%
<b>Total</b>	<b>1,063</b>	<b>1,177</b>	<b>(114)</b>	<b>-9.7%</b>

“Deferred financial liabilities” regard accrued expense on bonds. It is broadly unchanged on the previous year.

## 39. Net financial position and long-term financial receivables and securities - €37,545 million

The following table shows the net financial position and long-term financial receivables and securities on the basis of the items on the consolidated balance sheet.

Millions of euro

	Notes	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Long-term borrowings	41	44,872	48,655	(3,783)	-7.8%
Short-term borrowings	41	2,155	3,252	(1,097)	-33.7%
Current portion of long-term borrowings	41	5,733	5,125	608	11.9%
Non-current financial assets included in debt	24	(2,335)	(2,701)	366	-13.6%
Current financial assets included in debt	28	(2,241)	(3,860)	1,619	-41.9%
Cash and cash equivalents		(10,639)	(13,088)	2,449	-18.7%
<b>Total</b>		<b>37,545</b>	<b>37,383</b>	<b>162</b>	<b>0.4%</b>



Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at December 31, 2015, and December 31, 2014, reconciled with net

financial debt as provided for in the presentation methods of the Enel Group.

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Cash and cash equivalents on hand	582	758	(176)	-23.2%
Bank and post office deposits	10,057	12,330	(2,273)	-18.4%
Securities	1	140	(139)	-
<b>Liquidity</b>	<b>10,640</b>	<b>13,228</b>	<b>(2,588)</b>	<b>-19.6%</b>
Short-term financial receivables	1,324	1,977	(653)	-33.0%
Factoring receivables	147	177	(30)	-16.9%
Short-term portion of long-term financial receivables	769	1,566	(797)	-50.9%
<b>Current financial receivables</b>	<b>2,240</b>	<b>3,720</b>	<b>(1,480)</b>	<b>-39.8%</b>
Short-term bank debt	(180)	(30)	(150)	-
Commercial paper	(213)	(2,599)	2,386	91.8%
Short-term portion of long-term bank debt	(844)	(824)	(20)	-2.4%
Bonds issued (short-term portion)	(4,570)	(4,056)	(514)	-12.7%
Other borrowings (short-term portion)	(319)	(245)	(74)	-30.2%
Other short-term financial payables	(1,762)	(623)	(1,139)	-
<b>Total short-term financial debt</b>	<b>(7,888)</b>	<b>(8,377)</b>	<b>489</b>	<b>5.8%</b>
<b>Net short-term financial position</b>	<b>4,992</b>	<b>8,571</b>	<b>(3,579)</b>	<b>-41.8%</b>
Debt to banks and financing entities	(6,863)	(7,022)	159	2.3%
Bonds	(35,987)	(39,749)	3,762	9.5%
Other borrowings	(2,022)	(1,884)	(138)	-7.3%
<b>Long-term financial position</b>	<b>(44,872)</b>	<b>(48,655)</b>	<b>3,783</b>	<b>7.8%</b>
<b>NET FINANCIAL POSITION as per CONSOB instructions</b>	<b>(39,880)</b>	<b>(40,084)</b>	<b>204</b>	<b>0.5%</b>
<b>Long-term financial receivables and securities</b>	<b>2,335</b>	<b>2,701</b>	<b>(366)</b>	<b>-13.6%</b>
<b>NET FINANCIAL DEBT</b>	<b>(37,545)</b>	<b>(37,383)</b>	<b>(162)</b>	<b>-0.4%</b>

There are no transactions with related parties for these items.

## 40. Other current liabilities - €11,222 million

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change	
Payables due to customers	1,567	1,599	(32)	-2.0%
Payables due to equalization funds, market operators and energy services operators	4,879	4,005	874	21.8%
Payables due to employees	459	496	(37)	-7.5%
Other tax payables	990	887	103	11.6%
Payables due to social security institutions	216	216	-	-
Contingent consideration	36	46	(10)	-21.7%
Payables for put options granted to minority shareholders	793	789	4	0.5%
Current accrued expenses and deferred income	294	285	9	3.2%
Payables for acquisition of equity investments	-	33	(33)	-
Liabilities for construction contracts	347	317	30	9.5%
Other	1,641	2,154	(513)	-23.8%
<b>Total</b>	<b>11,222</b>	<b>10,827</b>	<b>395</b>	<b>3.6%</b>

“Payables due to customers” include €1,066 million (€1,096 million at December 31, 2014) in security deposits related to amounts received from customers in Italy as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the Company does not have an unconditional right to defer repayment beyond 12 months.

“Payables due to equalization funds, market operators and energy services operators” include payables arising from the application of equalization mechanisms to electricity purchases on the Italian market amounting to €3,439 million (€2,449 million at December 31, 2014) and on the Spanish market amounting to €1,392 million (€1,556 million at December 31, 2014) while the remainder regards Latin Ame-

rica. The increase in the item is mainly attributable to the change in the methods for determining certain rate components (A and UC) to be paid by Enel Distribuzione.

“Contingent consideration” regards a number of investees held by the Group in North America whose fair value was determined on the basis of the terms and conditions of the contractual agreements between the parties.

The item “Payables for put options granted to minority shareholders” at December 31, 2015 includes the liability in respect of Enel Distributie Muntenia and Enel Energie Muntenia in the total amount of €778 million (unchanged on December 31, 2014).

In 2014, “payables for acquisition of equity investments” regarded the residual amounts to pay for the acquisition of a number of companies in North America.

## 41. Financial instruments

This note provides disclosures necessary for users to assess the significance of financial instruments for the Company's financial position and performance.

## 41.1 Financial assets by category

The following table reports the carrying amount for each category of financial asset provided for under IAS 39, broken down into current and non-current financial assets, showing

hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro		Non-current		Current	
	Notes	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
<b>Loans and receivables</b>	41.1.1	<b>2,173</b>	<b>2,522</b>	<b>25,676</b>	<b>28,830</b>
<b>Available-for-sale financial assets</b>	41.1.2	<b>868</b>	<b>882</b>	<b>-</b>	<b>140</b>
<b>Financial assets held to maturity</b>	41.1.3	<b>117</b>	<b>139</b>	<b>1</b>	<b>-</b>
<b>Financial assets at fair value through profit or loss</b>					
Financial assets designated upon initial recognition (fair value option)	41.1.4	45	40	-	-
Derivative financial assets at FVTPL	41.1.5	13	5	4,466	4,930
<b>Total financial assets at fair value through profit or loss</b>		<b>58</b>	<b>45</b>	<b>4,466</b>	<b>4,930</b>
<b>Derivative financial assets designated as hedging instruments</b>					
Fair value hedge derivatives	41.1.5	46	55	-	-
Cash flow hedge derivatives	41.1.5	2,284	1,275	607	570
<b>Total derivative financial assets designated as hedging instruments</b>		<b>2,330</b>	<b>1,330</b>	<b>607</b>	<b>570</b>
<b>TOTAL</b>		<b>5,546</b>	<b>4,918</b>	<b>30,750</b>	<b>34,470</b>

For more information on fair value measurement, please see note 45 "Assets measured at fair value".

### 41.1.1 Loans and receivables

The following table shows loans and receivables by nature, broken down into current and non-current financial assets.

Millions of euro	Non-current			Current		
	Notes	at Dec. 31, 2015	at Dec. 31, 2014	Notes	at Dec. 31, 2015	at Dec. 31, 2014
Cash and cash equivalents	30	-	-	30	10,639	13,088
Trade receivables	27	-	-	27	12,797	12,022
Short-term portion of long-term financial receivables	28	-	-	28	769	1,566
Receivables for factoring	28	-	-	28	147	177
Cash collateral	28	-	-	28	1,020	1,654
Other financial receivables	24	2,173	2,522	28	304	323
<b>Total</b>		<b>2,173</b>	<b>2,522</b>		<b>25,676</b>	<b>28,830</b>

Trade receivables from customers at December 31, 2015 amounted to €12,797 million (€12,022 million at December 31, 2014) and are recognized net of allowances for impair-

ment losses, which amounted to €2,085 million at the end of the year, up from the opening balance of €1,662 million.

The table below shows impairment losses on trade receivables:

Millions of euro	at Dec. 31, 2015	at Dec. 31, 2014
<b>Trade receivables</b>		
Gross value	14,882	13,684
Allowances for impairment	(2,085)	(1,662)
<b>Net value</b>	<b>12,797</b>	<b>12,022</b>

The table below shows changes in these allowances during the year.

Millions of euro	
<b>Opening balance at Jan. 1, 2014</b>	<b>1,472</b>
Charge for the year	864
Utilized	(529)
Unused amounts reversed	(120)
Other changes	(25)
<b>Closing balance at Dec. 31, 2014</b>	<b>1,662</b>
<b>Opening balance at Jan. 1, 2015</b>	<b>1,662</b>
Charge for the year	992
Utilized	(546)
Unused amounts reversed	(178)
Other changes	155
<b>Closing balance at Dec. 31, 2015</b>	<b>2,085</b>

Note 42 "Risk management" provides additional information on the ageing of receivables past due but not impaired.

### 41.1.2 Available-for-sale financial assets

The following table shows available-for-sale financial assets by nature, broken down into current and non-current financial assets.

Millions of euro		Non-current			Current	
	Notes	at Dec. 31, 2015	at Dec. 31, 2014	Notes	at Dec. 31, 2015	at Dec. 31, 2014
Equity investments in other companies	24	237	213	24	-	-
Available-for-sale securities	28.1	-	-	28.1	-	140
Service concession arrangements	24	631	669		-	-
<b>Total</b>		<b>868</b>	<b>882</b>		<b>-</b>	<b>140</b>

### Changes in financial assets available for sale

Millions of euro	Non-current	Current
<b>Opening balance at Jan. 1, 2015</b>	882	140
Increases	129	-
Decreases	(51)	(140)
Changes in fair value through OCI	16	-
Reclassifications	85	-
Other changes	(193)	-
<b>Closing balance at Dec. 31, 2015</b>	<b>868</b>	<b>-</b>

### 41.1.3 Financial assets held to maturity

At December 31, 2015 financial assets held to maturity amounted to €117 million, down €22 million compared with the previous year. The item reports non-current securities held by Enel Insurance.

### 41.1.4 Financial assets at fair value through profit or loss

The following table shows financial assets at fair value through profit or loss by nature, broken down into current and non-current financial assets.

Millions of euro	Notes	Non-current		Notes	Current	
		at Dec. 31, 2015	at Dec. 31, 2014		at Dec. 31, 2015	at Dec. 31, 2014
<b>Derivatives at FVTPL</b>	41.4	<b>13</b>	<b>5</b>	41.4	<b>4,466</b>	<b>4,930</b>
Financial investments in funds		45	40		-	-
<b>Total financial assets designated upon initial recognition (fair value option)</b>		<b>45</b>	<b>40</b>		<b>-</b>	<b>-</b>
<b>TOTAL</b>		<b>58</b>	<b>45</b>		<b>4,466</b>	<b>4,930</b>

### 41.1.5 Derivative financial assets

For more information on derivative financial assets, please see note 44 "Derivatives and hedge accounting".

## 41.2 Financial liabilities by category

The following table shows the carrying amount for each category of financial liability provided for under IAS 39, broken down into current and non-current financial liabilities, show-

ing hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro	Notes	Non-current		Current	
		at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
<b>Financial liabilities measured at amortized cost</b>	41.2.1	<b>44,872</b>	<b>48,655</b>	<b>19,663</b>	<b>21,796</b>
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities at FVTPL	41.4	41	35	4,734	4,971
<b>Total financial liabilities at fair value through profit or loss</b>		<b>41</b>	<b>35</b>	<b>4,734</b>	<b>4,971</b>
<b>Derivative financial liabilities designated as hedging instruments</b>					
Fair value hedge derivatives	41.4	-	-	-	-
Cash flow hedge derivatives	41.4	1,477	2,406	775	470
<b>Total derivative financial liabilities designated as hedging instruments</b>		<b>1,477</b>	<b>2,406</b>	<b>775</b>	<b>470</b>
<b>TOTAL</b>		<b>46,390</b>	<b>51,096</b>	<b>25,172</b>	<b>27,237</b>

For more information on fair value measurement, please see note 46 "Liabilities measured at fair value".

### 41.2.1 Financial liabilities measured at amortized cost

The following table shows financial liabilities at amortized cost by nature, broken down into current and non-current financial liabilities.

Millions of euro	Notes	Non-current		Notes	Current	
		at Dec. 31, 2015	at Dec. 31, 2014		at Dec. 31, 2015	at Dec. 31, 2014
Long-term borrowings	41	44,872	48,655	41	5,733	5,125
Short-term borrowings	41	-	-	41	2,155	3,252
Trade payables	37	-	-	37	11,775	13,419
<b>Total</b>		<b>44,872</b>	<b>48,655</b>		<b>19,663</b>	<b>21,796</b>

## 41.3 Borrowings

### 41.3.1 Long-term borrowings (including the current portion due within 12 months) - €50,605 million

The following table reports the carrying amount and fair value for each category of debt, including the portion falling due within 12 months. For listed debt instruments, the fair value is given by official prices, while for unlisted debt instruments fair value is determined using valuation techniques appropriate for each category of financial instrument and the

associated market data at the reporting date, including the credit spreads of Enel SpA.

The table reports the situation of long-term borrowings and repayment schedules at December 31, 2015, broken down by type of borrowing and interest rate.

	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Nominal value	Carrying amount	Current portion	Portion due in more than 12 months	Fair value	Changes in carrying amount
Millions of euro											
at Dec. 31, 2015						at Dec. 31, 2014					
<b>Bonds:</b>											
- listed, fixed rate	30,250	29,809	3,351	26,458	34,897	32,155	31,897	2,561	29,336	37,847	(2,088)
- listed, floating rate	4,098	4,076	1,155	2,921	4,190	5,722	5,692	1,432	4,260	5,982	(1,616)
- unlisted, fixed rate	5,479	5,436	-	5,436	6,186	4,926	4,885	-	4,885	5,808	551
- unlisted, floating rate	1,236	1,236	64	1,172	1,193	1,331	1,331	63	1,268	1,263	(95)
<b>Total bonds</b>	<b>41,063</b>	<b>40,557</b>	<b>4,570</b>	<b>35,987</b>	<b>46,466</b>	<b>44,134</b>	<b>43,805</b>	<b>4,056</b>	<b>39,749</b>	<b>50,900</b>	<b>(3,248)</b>
<b>Bank borrowings:</b>											
- fixed rate	1,169	1,147	137	1,010	1,256	945	926	47	879	1,170	221
- floating rate	6,555	6,529	707	5,822	6,812	6,861	6,839	708	6,131	7,026	(310)
- use of revolving credit lines	31	31	-	31	31	81	81	69	12	70	(50)
<b>Total bank borrowings</b>	<b>7,755</b>	<b>7,707</b>	<b>844</b>	<b>6,863</b>	<b>8,099</b>	<b>7,887</b>	<b>7,846</b>	<b>824</b>	<b>7,022</b>	<b>8,266</b>	<b>(139)</b>
<b>Non-bank borrowings:</b>											
- fixed rate	2,012	2,012	250	1,762	2,012	1,723	1,723	186	1,537	1,824	289
- floating rate	329	329	69	260	341	406	406	59	347	420	(77)
<b>Total non-bank borrowings</b>	<b>2,341</b>	<b>2,341</b>	<b>319</b>	<b>2,022</b>	<b>2,353</b>	<b>2,129</b>	<b>2,129</b>	<b>245</b>	<b>1,884</b>	<b>2,244</b>	<b>212</b>
<b>Total fixed-rate borrowings</b>	<b>38,910</b>	<b>38,404</b>	<b>3,738</b>	<b>34,666</b>	<b>44,351</b>	<b>39,749</b>	<b>39,431</b>	<b>2,794</b>	<b>36,637</b>	<b>46,649</b>	<b>(1,027)</b>
<b>Total floating-rate borrowings</b>	<b>12,249</b>	<b>12,201</b>	<b>1,995</b>	<b>10,206</b>	<b>12,567</b>	<b>14,401</b>	<b>14,349</b>	<b>2,331</b>	<b>12,018</b>	<b>14,761</b>	<b>(2,148)</b>
<b>TOTAL</b>	<b>51,159</b>	<b>50,605</b>	<b>5,733</b>	<b>44,872</b>	<b>56,918</b>	<b>54,150</b>	<b>53,780</b>	<b>5,125</b>	<b>48,655</b>	<b>61,410</b>	<b>(3,175)</b>

The balance for bonds regards, net of €808 million, the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019," which the Parent Company holds in portfolio, while Enel Insurance holds bonds issued by Enel SpA totaling €15 million.

The table below reports long-term financial debt by currency and interest rate.

## Long-term financial debt by currency and interest rate

Millions of euro	Carrying amount	Nominal value	Carrying amount	Nominal value	Current average nominal interest rate	Current effective interest rate
	at Dec. 31, 2015		at Dec. 31, 2014		at Dec. 31, 2015	
<b>Euro</b>	<b>31,059</b>	<b>31,433</b>	<b>35,221</b>	<b>35,424</b>	<b>3.8%</b>	<b>4.1%</b>
US dollar	9,552	9,636	8,485	8,559	6.3%	6.6%
Pound sterling	5,775	5,845	5,437	5,508	6.1%	6.2%
Colombian peso	1,358	1,358	1,663	1,663	9.5%	9.5%
Brazilian real	875	880	1,149	1,157	14.8%	15.1%
Swiss franc	534	535	606	607	3.1%	3.1%
Chilean peso/UF	445	456	458	470	10.4%	12.6%
Peruvian sol	410	410	363	363	6.3%	6.3%
Russian ruble	124	124	69	69	12.1%	12.1%
Japanese yen	240	240	237	238	2.4%	2.5%
Other currencies	233	242	92	92		
<b>Total non-euro currencies</b>	<b>19,546</b>	<b>19,726</b>	<b>18,559</b>	<b>18,726</b>		
<b>TOTAL</b>	<b>50,605</b>	<b>51,159</b>	<b>53,780</b>	<b>54,150</b>		

Long-term financial debt denominated in currencies other than the euro increased by €987 million. The change is largely attributable to new borrowing in US dollars by the com-

panies operating in the renewable energy sector in the United States and Latin America, as well as adverse exchange differences registered during the year.

## Change in the nominal value of long-term debt

Millions of euro	Nominal value	Repayments	Change in own bonds	Change in scope of consolidation	Exchange offer	New financing	Exchange differences	Reclassification from/to assets/ (liabilities) held for sale	Nominal value
	at Dec. 31, 2014								at Dec. 31, 2015
Bonds	44,134	(4,065)	(31)	-	33	172	820	-	41,063
Bank borrowings	7,887	(1,035)	-	55	-	901	(53)	-	7,755
Other borrowings	2,129	(372)	-	160	-	401	23	-	2,341
<b>Total financial debt</b>	<b>54,150</b>	<b>(5,472)</b>	<b>(31)</b>	<b>215</b>	<b>33</b>	<b>1,474</b>	<b>790</b>	<b>-</b>	<b>51,159</b>

Compared with December 31, 2014, the nominal value of long-term debt at December 31, 2015 decreased by €2,991 million, the net effect of €5,472 million in repayments, €1,474 million in new borrowings, €790 million in exchange losses and €215 million due to the change in scope of consolidation. The latter development essentially regarded the acquisition of a number of companies in the renewable generation sector in the United States that had previously entered into tax partnership agreements.

The main repayments in 2015 concerned bonds in the amount of €4,065 million, bank borrowings totaling €1,035

million and other borrowings for €372 million.

More specifically, the main bonds maturing in 2015 included:

- > €1,000 million in respect of a fixed-rate bond issued by Enel SpA, maturing in January 2015;
- > €1,300 million in respect of a floating-rate bond issued by Enel SpA, maturing in January 2015;
- > €1,195 million in respect of a fixed-rate bond issued by Enel Finance International, maturing in June 2015;
- > the equivalent of €333 million in respect of bonds issued by a number of Latin American companies, maturing during the course of 2015.



The main repayments of bank borrowings in the year included the following:

- > €147 million in respect of floating-rate bank loans of Endesa, of which €66 million in subsidized loans;
- > €338 million in respect of repayments of subsidized loans by Enel Produzione and Enel Distribuzione;
- > the equivalent of €170 million in respect of repayments of bank loans by companies in Latin America;
- > the equivalent of €267 million in respect of repayments of loans by companies belonging to the Enel Green Power Group;
- > the equivalent of €104 million in respect of loans of Enel Russia.

The main repayments of non-bank borrowings in the year included the following:

- > the equivalent of €166 million in respect of loans in Latin America;
- > the equivalent of €124 million in respect of loans of Enel Green Power North America.

In January 2015, following a non-binding exchange offer, the subsidiary Enel Finance International carried out the repurchase and concomitant issue of a senior fixed-rate bond maturing in January 2025 (the “exchange offer”). The amount repurchased (€1,429 million) and that issued (€1,462 million) generated a net cash inflow of €33 million. From an accounting standpoint, taking account of the characteristics of the instruments exchanged and the quantitative limits set by the applicable accounting standard, the exchange offer did not give rise to the extinguishment of the pre-existing financial liability. As the non-binding exchange offer was subscribed by only part of the original bondholders, the previous issue remains in circulation on the market in the total notional amount of €4,114 million, maturing between 2016 and 2021. The main new borrowing carried out in 2015 involved bonds in the amount of €172 million, bank borrowings of €901 million and other borrowings totaling €401 million.

The table below shows the main characteristics of financial transactions carried out in 2015.

	Issuer/grantor	Issue/grant date	Amount in millions of euro	Currency	Interest rate	Interest rate type	Maturity
<b>Bonds:</b>							
Local bond	Edelnor	07/16/2015	19	PEN	6.12%	Fixed rate	07/16/2019
Local bond	Enel Russia	06/04/2015	62	RUR	12.10%	Fixed rate	05/31/2018
Local bond	Enel Russia	10/02/2015	62	RUR	12.10%	Fixed rate	09/29/2018
<b>Total bonds</b>			<b>143</b>				
<b>Bank borrowings:</b>							
	Enel Green Power Chile	01/29/2015	69	USD	USD LIBOR 6M + 265 bp	Floating rate	12/03/2021
	Enel Green Power RSA	04/01/2015	11	ZAR	JIBAR 6M + 125 bp	Floating rate	06/30/2032
	Enel Green Power RSA	04/01/2015	35	ZAR	JIBAR 6M + 270 bp	Floating rate	06/30/2022
	Enel Green Power RSA	08/27/2015	30	EUR	EURIBOR 6M + 115 bp	Floating rate	06/30/2029
	Endesa	09/25/2015	300	EUR	EURIBOR 3M + 46.4 bp	Floating rate	09/25/2027
<b>Total bank borrowings</b>			<b>445</b>				
<b>Non-bank borrowings:</b>							
	Enel Green Power North America	12/23/2015	80	USD	7.50%	Fixed rate	12/23/2025
	Enel Green Power North America	12/18/2015	190	USD	7.57%	Fixed rate	12/18/2025
<b>Total non-bank borrowings</b>			<b>270</b>				

The main financing contracts finalized in 2015 include:

- > on February 11, Enel SpA renegotiated the forward starting revolving credit facility of about €9.4 billion obtained on February 11, 2013, reducing its cost and extending its term until 2020 from its original maturity of April 2018. The facility was undrawn at December 31, 2015;
- > on July 16, 2015, a €450 million credit facility was agreed between Enel SpA and UniCredit SpA with a term of 60 months, replacing the €400 million facility terminating in July 2016. The facility was undrawn at December 31, 2015;
- > during the year, Endesa renegotiated part of its credit lines for a total of €300 million.

The Group's main long-term financial liabilities are governed by covenants that are commonly adopted in international business practice. These liabilities primarily regard the bond issues carried out within the framework of the Global Medium-Term Notes Program, issues of subordinated unconvertible hybrid bonds and loans granted by banks and other financial institutions (including the European Investment Bank and Cassa Depositi e Prestiti SpA).

The main covenants regarding bond issues carried out within the framework of the Global Medium-Term Notes Program of (i) Enel and Enel Finance International NV and of (ii) Ende-

sa Capital SA and International Endesa BV can be summarized as follows:

- > negative pledge clauses under which the issuer and the guarantor may not establish or maintain mortgages, liens or other encumbrances on all or part of its assets or revenue to secure certain financial liabilities, unless the same encumbrances are extended equally or pro rata to the bonds in question;
- > pari passu clauses, under which the bonds and the associated security constitute a direct, unconditional and unsecured obligation of the issuer and the guarantor and are issued without preferential rights among them and have at least the same seniority as other present and future unsubordinated and unsecured bonds of the issuer and the guarantor;
- > cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the issuer, the guarantor or, in some cases, "significant" subsidiaries constitutes a default in respect of the liabilities in question, which become immediately repayable.

The main covenants covering Enel's hybrid bonds can be summarized as follows:

- > subordination clauses, under which each hybrid bond is subordinate to all other bonds issued by the company and

has the same seniority with all other hybrid financial instruments issued, being senior only to equity instruments;

- > prohibition on mergers with other companies, the sale or leasing of all or a substantial part of the company's assets to another company, unless the latter succeeds in all obligations of the issuer.

The main covenants envisaged in the loan contracts of Enel and Enel Finance International NV and the other Group companies can be summarized as follows:

- > negative pledge clauses, under which the borrower and, in some cases, the guarantor are subject to limitations on the establishment of mortgages, liens or other encumbrances on all or part of their respective assets, with the exception of expressly permitted encumbrances;
- > disposals clauses, under which the borrower and, in some cases, the guarantor may not dispose of their assets or operations, with the exception of expressly permitted disposals;
- > pari passu clauses, under which the payment undertakings of the borrower have the same seniority as its other unsecured and unsubordinated payment obligations;
- > change of control clauses, under which the borrower and, in some cases, the guarantor could be required to renegotiate the terms and conditions of the financing or make compulsory early repayment of the loans granted;
- > rating clauses, which provide for the borrower or the guarantor to maintain their rating above a certain specified level;

- > cross-default clauses, under which the occurrence of a default event in respect of a specified financial liability (above a threshold level) of the issuer or, in some cases, the guarantor constitutes a default in respect of the liabilities in question, which become immediately repayable.

All the financial borrowings considered specify "events of default" typical of international business practice, such as, for example, insolvency, bankruptcy proceedings or the entity ceases trading.

In some cases the covenants are also binding for the significant subsidiaries of the obligated parties or for their subsidiaries.

In addition, the guarantees issued by Enel in the interest of Enel Distribuzione for certain loans to Enel Distribuzione from Cassa Depositi e Prestiti require that at the end of each six-month measurement period Enel's net consolidated financial debt shall not exceed 4.5 times annual consolidated EBITDA.

Furthermore, many of these agreements also contain cross-acceleration clauses that are triggered by specific circumstances, certain government actions, insolvency or judicial expropriation of assets.

In addition to the foregoing, a number of loans provide for early repayment in the case of a change of control over Enel or the subsidiaries.

The following table reports the impact on gross long-term debt of hedges established to mitigate exchange risk.

## Long-term financial debt by hedged currency

Millions of euro

at Dec. 31, 2015

	Initial debt structure		%	Impact of hedge	Debt structure after hedging	
	Carrying amount	Nominal amount				
<b>Euro</b>	<b>31,059</b>	<b>31,433</b>	<b>61.4%</b>	<b>12,770</b>	<b>44,203</b>	<b>86.4%</b>
US dollar	9,552	9,636	18.8%	(6,660)	2,976	5.8%
Pound sterling	5,775	5,845	11.4%	(5,845)	-	-
Colombian peso	1,358	1,358	2.7%	57	1,415	2.8%
Brazilian real	875	880	1.7%	28	908	1.8%
Swiss franc	534	535	1.0%	(535)	-	-
Chilean peso/UF	445	456	0.9%	230	686	1.3%
Peruvian sol	410	410	0.8%	(58)	352	0.7%
Russian ruble	124	124	0.2%	235	359	0.7%
Japanese yen	240	240	0.5%	(240)	-	-
Other currencies	233	242	0.5%	18	260	0.5%
<b>Total non-euro currencies</b>	<b>19,546</b>	<b>19,726</b>	<b>38.6%</b>	<b>(12,770)</b>	<b>6,956</b>	<b>13.6%</b>
<b>TOTAL</b>	<b>50,605</b>	<b>51,159</b>	<b>100.0%</b>	<b>-</b>	<b>51,159</b>	<b>100.0%</b>

The amount of floating-rate debt that is not hedged against interest rate risk is the main risk factor that could impact the

income statement (raising borrowing costs) in the event of an increase in market interest rates.

Millions of euro

2015

2014

	Pre-hedge		%	Post-hedge	%	Pre-hedge		%	Post-hedge	%
Floating rate	14,405	27.0%		11,055	20.7%	17,656	30.8%		13,396	23.3%
Fixed rate	38,910	73.0%		42,260	79.3%	39,749	69.2%		44,009	76.7%
<b>Total</b>	<b>53,315</b>			<b>53,315</b>		<b>57,405</b>			<b>57,405</b>	

At December 31, 2015, 27% of financial debt was floating rate (31% at December 31, 2014). Taking account of hedges of interest rates considered effective pursuant to the IFRS-EU, 21% of net financial debt (23% at December 31, 2014) was exposed to interest rate risk. Including interest rate derivatives treated as hedges for management purposes but

ineligible for hedge accounting, 79% of net financial debt was hedged (77% hedged at December 31, 2014).

These results are in line with the limits established in the risk management policy.

at Dec. 31, 2014

Initial debt structure			Impact of hedge	Debt structure after hedging	
Carrying amount	Nominal amount	%			
<b>35,221</b>	<b>35,424</b>	<b>65.4%</b>	<b>11,787</b>	<b>47,211</b>	<b>87.2%</b>
8,485	8,559	15.8%	(5,972)	2,587	4.8%
5,437	5,508	10.2%	(5,508)	-	-
1,663	1,663	3.1%	-	1,663	3.1%
1,149	1,157	2.1%	-	1,157	2.1%
606	607	1.1%	(607)	-	-
458	470	0.9%	206	676	1.2%
363	363	0.7%	-	363	0.7%
69	69	0.1%	332	401	0.7%
237	238	0.4%	(238)	-	-
92	92	0.2%	-	92	0.2%
<b>18,559</b>	<b>18,726</b>	<b>34.6%</b>	<b>(11,787)</b>	<b>6,939</b>	<b>12.8%</b>
<b>53,780</b>	<b>54,150</b>	<b>100.0%</b>	<b>-</b>	<b>54,150</b>	<b>100.0%</b>

### 41.3.2 Short-term borrowings - €2,155 million

At December 31, 2015 short-term borrowings amounted to €2,155 million, a decrease of €1,097 million on December 31, 2014. They break down as follows.

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change
Short-term bank borrowings	180	30	150
Commercial paper	213	2,599	(2,386)
Cash collateral and other financing on derivatives	1,698	457	1,241
Other short-term borrowings	64	166	(102)
<b>Short-term borrowings</b>	<b>2,155</b>	<b>3,252</b>	<b>(1,097)</b>

Short-term bank borrowings amounted to €180 million. The payables represented by commercial paper relate to issues outstanding at the end of December 2015 in the context of the €6,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA, which was renewed in April 2010, as well as the €3,000 million pro-

gram of International Endesa BV and the \$400 million (equal to €367 million) program of Enersis.

At December 31, 2015 issues under these programs totaled €213 million, of which €96 million pertaining to Enel Finance International and €117 million to International Endesa BV.

## 41.4 Derivative financial liabilities

For more information on derivative financial liabilities, please see note 44 "Derivatives and hedge accounting".

## 41.5 Net gains and losses

The following table shows net gains and losses by category of financial instruments, excluding derivatives.

Millions of euro

	2015	
	Net gains/(losses)	Of which impairment/ reversal of impairment
Available-for-sale financial assets measured at fair value	-	-
Available-for-sale financial assets measured at amortized cost	8	-
Financial assets held to maturity	7	-
Loans and receivables	149	-
<b>Financial assets at FVTPL</b>		
Financial assets held for trading	-	-
Financial assets designated upon initial recognition (fair value option)	5	-
<b>Total financial assets at FVTPL</b>	<b>5</b>	<b>-</b>
Financial liabilities measured at amortized cost	(3,900)	-
<b>Financial liabilities at FVTPL</b>		
Financial liabilities held for trading	-	-
Financial liabilities designated upon initial recognition (fair value option)	-	-
<b>Total financial liabilities at FVTPL</b>	<b>-</b>	<b>-</b>

For more details on net gains and losses on derivatives, please see note 10 "Net financial income/(expense) from derivatives".

## 42. Risk management

### Financial risk management objectives and policies

As part of its operations, the Enel Group is exposed to a variety of financial risks, notably market risks (including interest rate risk, exchange risk and commodity risk), credit risk and liquidity risk.

The Group's governance arrangements for financial risk envisage:

- > specific internal committees, formed of members of the Group's top management and chaired by the CEO, which are responsible for strategic policy-making and oversight of risk management;
- > the establishment of specific policies set at both the

Group level and at the level of individual Regions/Countries/global business lines, which define the roles and responsibilities for those involved in managing, monitoring and controlling risks, ensuring the organizational separation of units involved in managing the Group's business and those responsible for managing risk;

- > the specification of operational limits at both the Group level and at the level of individual Regions/Countries/global business lines for the various types of risk. These limits are monitored periodically by the risk management units.

### Market risks

Market risk is the risk that the expected cash flows or the fair value of financial and non-financial assets and liabilities could change owing to changes in market prices.

Market risks are essentially composed of interest rate risk, exchange risk and commodity price risk.

Interest rate risk and exchange risk are primarily generated by the presence of financial instruments.

The main financial liabilities held by the Company include bonds, bank borrowings, other borrowings, commercial paper, derivatives, cash collateral for derivatives transactions, liabilities for construction contracts and trade payables.

The main purpose of those financial instruments is to finance the operations of the Group.

The main financial assets held by the Group include financial receivables, factoring receivables, derivatives, cash collateral for derivatives transactions, cash and cash equivalents, receivables for construction contracts and trade receivables.

For more details, please see note 41 "Financial instruments".

The sources of exposure to interest rate risk and exchange risk did not change with respect to the previous year.

The nature of the financial risks to which the Group is exposed is such that changes in interest rates can cause an increase in net financial expense or adverse changes in the value of assets/liabilities measured at fair value.

The Group is also exposed to the risk that changes in the exchange rates between the euro and the main foreign currencies could have an adverse impact on the value in

euro of performance and financial aggregates denominated in foreign currencies, such as costs, revenue, assets and liabilities, as well as the consolidation values of equity investments denominated in currencies other than the euro (translation risk). As with interest rates, changes in exchange rates can cause variations in the value of financial assets and liabilities measured at fair value.

The Group's policies for managing market risks provide for the mitigation of the effects on performance of changes in interest rates and exchange rates with the exclusion of translation risk. This objective is achieved both at the source of the risk, through the strategic diversification of the nature of financial assets and liabilities, and by modifying the risk profile of specific exposures with derivatives entered into on over-the-counter (OTC) markets.

The risk of fluctuations in commodity prices is generated by the volatility of those prices and existing structural correlations between them, which creates uncertainty about the margin on transactions in fuels and energy. Price developments are observed and analyzed in order to develop the Group's industrial, financial and commercial strategies and policies.

In order to contain the effects of such fluctuations and stabilize margins, Enel develops, in accordance with the Group's policies and risk governance limits, strategies that impact the various stages of the industrial process associated with the production and sale of electricity and gas, such as advance

sourcing and hedging, and plans and techniques for hedging financial risks with derivatives. The Group companies develop strategies for hedging the price risk arising from trading in commodities and, using financial instruments, reduce or eliminate market risk, sterilizing the variable components of price. If authorized, they can also engage in proprietary trading in the energy commodities used by the Group in order to monitor and enhance their understanding of the most relevant markets.

The organizational structure provides for a single entity to operate on behalf of the entire Group in sourcing fuels and selling electricity and gas on wholesale markets, as well as centralizing trading with the direct control of the units involved in that business, which as they also operate at the local level can maintain effective relationships with the markets. The global business line cooperates with units of the holding

## Interest rate risk

Interest rate risk is the risk that the fair value or expected cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The main source of interest rate risk for the Enel Group is the presence of financial instruments. It manifests itself primarily as a change in the flows associated with interest payments on floating-rate financial liabilities, a change in financial terms and conditions in negotiating new debt instruments or as an adverse change in the value of financial assets/liabilities measured at fair value, which are typically fixed-rate debt instruments.

For more information, please see note 41 "Financial instruments".

The Enel Group manages interest rate risk through the definition of an optimal financial structure, with the dual goal of stabilizing borrowing costs and containing the cost of funds.

This goal is pursued through the strategic diversification of the portfolio of financial liabilities by contract type, maturity and interest rate, and modifying the risk profile of specific exposures using OTC derivatives, mainly interest rate swaps and interest rate options. The term of such contracts does not exceed the maturity of the underlying financial liability, so that any change in the fair value and/or cash flows of such contracts is offset by a corresponding change in the fair value and/or cash flows of the hedged position.

Proxy hedging techniques may be used in a number of residual circumstances, when the hedging instruments for the risk factors are not available on the market or are not

company designated to steer, monitor and integrate global performance. In order to manage and control market risks associated with energy commodities, strengthening an integrated vision of our business and a geographical awareness of sales and trading operations is consistent with the global environment in which the Group operates, creating opportunities for improvement in both maximizing margins and governing risks.

As part of its governance of market risks, the Company regularly monitors the size of the OTC derivatives portfolio in relation to the threshold values set by regulators for the activation of clearing obligations (EMIR - European Market Infrastructure Regulation 648/2012 of the European Parliament). During 2015, no overshoot of those threshold values was detected.

sufficiently liquid. For the purpose of EMIR compliance, in order to test the actual effectiveness of the hedging techniques adopted, the Group subjects its hedge portfolios to periodic statistical assessment.

Using interest rate swaps, the Enel Group agrees with the counterparty to periodically exchange floating-rate interest flows with fixed-rate flows, both calculated on the same notional principal amount.

Floating-to-fixed interest rate swaps transform floating-rate financial liabilities into fixed-rate liabilities, thereby neutralizing the exposure of cash flows to changes in interest rates.

Fixed-to-floating interest rate swaps transform fixed-rate financial liabilities into floating-rate liabilities, thereby neutralizing the exposure of their fair value to changes in interest rates.

Floating-to-floating interest rate swaps permit the exchange of floating-rate interest flows based on different indexes. Some structured borrowings have multi-stage interest flows hedged by interest rate swaps that at the reporting date, and for a limited time, provide for the exchange of fixed-rate interest flows.

Interest rate options involve the exchange of interest differences calculated on a notional principal amount once certain thresholds (strike prices) are reached. These thresholds specify the effective maximum rate (cap) or the minimum rate (floor) on the debt as a result of the hedge. Hedging strategies can also make use of combinations of



options (collars) that establish the minimum and maximum rates at the same time. In this case, the strike prices are normally set so that no premium is paid on the contract (zero cost collars).

Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate

options are also considered most appropriate in periods of uncertainty about future interest rate developments because they make it possible to benefit from any decrease in interest rates.

The following table reports the notional amount of interest rate derivatives at December 31, 2015 and December 31, 2014 broken down by type of contract.

Millions of euro	Notional amount	
	2015	2014
Floating-to-fixed interest rate swaps	10,910	5,043
Fixed-to-floating interest rate swaps	853	889
Fixed-to-fixed interest rate swaps	-	100
Floating-to-floating interest rate swaps	180	180
Interest rate options	50	50
<b>Total</b>	<b>11,993</b>	<b>6,262</b>

For more details on interest rate derivatives, please see note 44 "Derivatives and hedge accounting".

### Interest rate risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in interest rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and on equity of market scenarios that would cause a change in the fair value of derivatives or in the

financial expense associated with unhedged gross debt.

These scenarios are represented by parallel increases and decreases in the yield curve as at the reporting date.

There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the Group's profit before tax would be affected by a change in the level of interest rates as follows.

Millions of euro		2015			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Basis points	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term floating-rate debt after hedging	25	28	(28)	-	-
Change in fair value of derivatives classified as non-hedging instruments	25	7	(7)	-	-
<b>Change in fair value of derivatives designated as hedging instruments</b>					
Cash flow hedges	25	-	-	183	(183)
Fair value hedges	25	(8)	8	-	-

## Exchange risk

Exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

For the companies of the Enel Group, the main source of exchange risk is the presence of financial instruments and cash flows denominated in a currency other than its currency of account and/or functional currency.

More specifically, exchange risk is mainly generated with the following transaction categories:

- > debt denominated in currencies other than the currency of account or the functional currency entered into by the holding company or the individual subsidiaries;
- > cash flows in respect of the purchase or sale of fuel or electricity on international markets;
- > cash flows in respect of investments in foreign currency, dividends from unconsolidated foreign companies or the purchase or sale of equity investments.

The sources of exposure to exchange risk did not change with respect to the previous year.

For more details, please see note 41 "Financial instruments."

In order to minimize this risk, the Group normally uses a variety of over-the-counter (OTC) derivatives such as cross currency interest rate swaps, currency forwards and currency swaps.

The term of such contracts does not exceed the maturity

of the underlying financial liability, so that any change in the fair value and/or cash flows of such contracts offsets the corresponding change in the fair value and/or cash flows of the hedged position.

Cross currency interest rate swaps are used to transform a long-term financial liability in foreign currency into an equivalent liability in the currency of account or functional currency of the company holding the exposure.

Currency forwards are contracts in which the counterparties agree to exchange principal amounts denominated in different currencies at a specified future date and exchange rate (the strike). Such contracts may call for the actual exchange of the two amounts (deliverable forwards) or payment of the difference between the strike exchange rate and the prevailing exchange rate at maturity (non-deliverable forwards). In the latter case, the strike rate and/or the spot rate may be determined as averages of the rates observed in a given period.

Currency swaps are contracts in which the counterparties enter into two transactions of the opposite sign at different future dates (normally one spot, the other forward) that provide for the exchange of principal denominated in different currencies.

The following table reports the notional amount of transactions outstanding at December 31, 2015 and December 31, 2014, broken down by type of hedged item.

Millions of euro	Notional amount	
	2015	2014
Cross currency interest rate swaps (CCIRSs) hedging debt denominated in currencies other than the euro	15,812	14,801
Currency forwards hedging exchange risk on commodities	4,334	4,942
Currency forwards hedging future cash flows in currencies other than the euro	4,330	3,552
Currency swaps hedging commercial paper	-	148
Currency forwards hedging loans	181	224
Other currency forwards	11	-
<b>Total</b>	<b>24,668</b>	<b>23,667</b>

More specifically, these include:

- > CCIRSs with a notional amount of €15,812 million to hedge the exchange risk on debt denominated in currencies other than the euro (€14,801 million at December 31, 2014);
- > currency forwards with a total notional amount of €8,664 million used to hedge the exchange risk associated with

purchases and sales of natural gas, purchases of fuel and expected cash flows in currencies other than the euro (€8,494 million at December 31, 2014);

- > currency forwards with a total notional amount of €181 million used to hedge the exchange risk associated with loans in currencies other than the euro (€224 million at December 31, 2014).

At December 31, 2015, 39% (35% at December 31, 2014) of Group long-term debt was denominated in currencies other than the euro.

### Exchange risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in exchange rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross medium/long-term debt.

Taking account of hedges of exchange risk, the percentage of debt not hedged against that risk amounted to 14% at December 31, 2015 (13% at December 31, 2014).

These scenarios are represented by the appreciation/depreciation of the euro against all of the foreign currencies compared with the value observed as at the reporting date.

There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the profit before tax would be affected as follows:

Millions of euro		2015			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Exchange rate	Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term debt denominated in currencies other than the euro after hedging	10%	-	-	-	-
Change in fair value of derivatives classified as non-hedging instruments	10%	182	(223)	-	-
<b>Change in fair value of derivatives designated as hedging instruments</b>					
Cash flow hedges	10%	-	-	(1,951)	2,385
Fair value hedges	10%	-	-	-	-

## Commodity risk

The Group is exposed to the risk of fluctuations in the price of commodities mainly associated with the purchase of fuel for power plants and the purchase and sale of natural gas under indexed contracts, as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on the electricity spot market).

The exposures on indexed contracts are quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold by the Group, Enel mainly uses fixed-price contracts in the form of bilateral physical contracts and financial contracts (e.g. contracts for differences, VPP contracts, etc.) in which differences are paid to the counterparty if the market electricity price exceeds the strike price and to Enel in the opposite case. The residual exposure in respect of the sale of energy on the spot market not hedged with such contracts is aggregated by uniform risk factors that can be managed with hedging transactions on the market. Proxy hedging techniques may be used for the industrial portfolios when the hedging instruments for the risk factors generating the exposure are not available on the market or are not sufficiently liquid, while portfolio hedging techniques can be used to assess opportunities for netting intercompany flows.

The Group mainly uses plain vanilla derivatives for hedging (more specifically, forwards, swaps, options on commodities, futures, contracts for differences).

Enel also engages in proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations, which are performed only by Group

companies expressly authorized to do so under corporate policies, consist in taking on exposures in energy commodities (oil products, gas, coal, CO<sub>2</sub> certificates and electricity in the main European countries) using financial derivatives and physical contracts traded on regulated and over-the-counter markets, exploiting profit opportunities through arbitrage transactions carried out on the basis of expected market developments.

The commodity risk management processes established at the Group level are designed to constantly monitor developments in risk over time and to determine whether the risk levels, as observed for specific analytical dimensions (for example, geographical areas, organizational structures, business lines, etc.), comply with the thresholds consistent with the risk appetite established by top management. These operations are conducted within the framework of formal governance rules that establish strict risk limits. Compliance with the limits is verified daily by units that are independent of those undertaking the transactions. Positions are monitored monthly, assessing the Profit at Risk, in the case of industrial portfolios, and daily, calculating Value at Risk, in the case of the trading book.

The risk limits for Enel's proprietary trading are set in terms of Value at Risk over a 1-day time horizon and a confidence level of 95%; the sum of the limits for 2015 is equal to about €39 million.

The following table reports the notional amount of outstanding transactions at December 31, 2015 and December 31, 2014, broken down by type of instrument.

Millions of euro	Notional amount	
	2015	2014
Forward and futures contracts	30,791	26,671
Swaps	5,904	9,359
Options	340	401
Embedded derivatives	-	-
<b>Total</b>	<b>37,035</b>	<b>36,431</b>

For more details, please see note 44 "Derivatives and hedge accounting"

## Sensitivity analysis of commodity risk

The following table presents the results of the analysis of sensitivity to a reasonably possible change in the commodity prices underlying the valuation model used in the scenario at the same date, with all other variables held constant. The analysis assesses the impact of shifts in the

commodity price curve of +10% and -10%.

The impact on pre-tax profit is mainly attributable to the change in the prices of gas and oil commodities. The impact on equity is almost entirely due to changes in the prices of gas and coal. The Group's exposure to changes in the prices of other commodities is not material.

Millions of euro

		2015			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Commodity price	Increase	Decrease	Increase	Decrease
Change in fair value of trading derivatives on commodities	10%	(21)	27	-	-
Change in fair value of derivatives on commodities designated as hedging instruments	10%	-	-	135	(134)

## Credit risk

The Group's commercial, commodity and financial operations expose it to credit risk, i.e. the possibility that an unexpected change in the creditworthiness of a counterparty could have an effect on the creditor position, in terms of insolvency (default risk) or changes in its market value (spread risk).

In recent years, in view of the instability and uncertainty that have affected the financial markets and an economic crisis of global proportions, average collection times have trended upwards. In order to minimize credit risk, credit exposures are managed at the Region/Country/business line level by different units, thereby ensuring the necessary segregation of risk management and control activities. Monitoring the consolidated exposure is carried out by Enel SpA.

In particular, the policy for managing credit and the associated risks provides for the assessment of the creditworthiness of the main counterparties, the adoption of risk mitigation tools, such as secured and unsecured guarantees and standardized contractual frameworks in specific business areas, and the analysis of credit exposures.

In addition, at the Group level the policy provides for the use of uniform criteria in all the main Regions/Countries/global business lines and at the consolidated level in measuring commercial credit exposures in order to promptly identify any deterioration in the quality of outstanding receivables and any mitigation actions to be taken.

As regards the credit risk associated with commodity transactions, a uniform counterparty assessment system is used at the Group level, with local level implementation. Risk limits defined by the appropriate units of the Regions/Countries/global business lines have been applied and monitored.

For the credit risk generated by financial transactions, including those in derivatives, risk is minimized by selecting counterparties with high standing from among leading national and international financial institutions, diversifying the portfolio, entering into margin agreements that call for the exchange of cash collateral and/or using netting arrangements. An internal assessment system was used again in 2015 to apply and monitor operational limits for credit risk, approved by the Group Risk Committee in respect of financial counterparties at the Region/Country/global business line level and at the consolidated level.

To manage credit risk even more effectively, for a number of years the Group has carried out non-recourse assignments of receivables, which have mainly involved specific segments of the commercial portfolio and, to a lesser extent, invoiced receivables and receivables to be invoiced of companies operating in other segments of the electricity industry than retail sales.

All of the above transactions are considered non-recourse transactions for accounting purposes and therefore involved the full derecognition of the corresponding assigned assets from the balance sheet, as the risks and rewards associated with them have been transferred.

## Concentration of customer credit risk

Trade receivables are generated by the Group's operations in many regions and countries (Italy, Spain, Romania, Latin America, Russia, France, North America, etc.) with a base of customers and counterparties that is highly diversified, whether geographically, sectorally (industrial companies, energy companies, enterprises in retail trade, tourism, communica-

tions, government entities, etc.) or by size (large corporate, small and medium-sized enterprises, residential customers). Through its subsidiaries, Enel has about 60 million custo-

mers or counterparties with whom it has generally granular credit exposures.

## Financial assets past due but not impaired

Millions of euro	2015
<b>Impaired trade receivables</b>	<b>2,085</b>
<b>Not past due and not impaired trade receivables</b>	<b>8,520</b>
<b>Past due but not impaired trade receivables:</b>	<b>4,277</b>
- less than 3 months	1,696
- from 3 months to 6 months	505
- from 6 months to 12 months	588
- from 12 months to 24 months	386
- more than 24 months	1,102
<b>Total</b>	<b>14,882</b>

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The objectives of liquidity risk management policies are:

- > ensuring an appropriate level of liquidity for the Group, minimizing the associated opportunity cost;
- > maintaining a balanced debt structure in terms of the maturity profile and funding sources.

In the short term, liquidity risk is mitigated by maintaining

an appropriate level of unconditionally available resources, including liquidity and short-term deposits, available committed credit lines and a portfolio of highly liquid asset.

In the long term, liquidity risk is mitigated by maintaining a balanced maturity profile for our debt, access to a range of sources of funding on different markets, in different currencies and with diverse counterparties.

The Group holds the following undrawn lines of credit:

Millions of euro	at Dec. 31, 2015		at Dec. 31, 2014	
	Expiring within one year	Expiring beyond one year	Expiring within one year	Expiring beyond one year
Committed credit lines	377	13,042	671	13,456
Uncommitted credit lines	648	-	425	-
Commercial paper	9,153	-	6,727	-
<b>Total</b>	<b>10,178</b>	<b>13,042</b>	<b>7,823</b>	<b>13,456</b>

Committed credit lines amounted to €13,419 million at the Group level, with €13,042 million expiring after 2016. Total available resources came to €23,220 million, of which €9,153 million in commercial paper.

In early 2015 Enel Finance International NV carried out an offer to exchange six euro-denominated bonds maturing between 2016 and 2021 with a new euro-denominated issue maturing

at 10 years in the nominal amount of €1,460 million, paying a coupon of 1.966%.

The transaction was part of EFI's liability management program begun in the final Quarter of 2014 in order to actively manage maturities and the Group's funding costs.

For more information, please see note 41 "Financial instruments" in this report.

## Maturity analysis

The table below summarizes the maturity profile of the Group's long-term debt.

Millions of euro	Maturing in						
	Less than 3 months	From 3 months to 1 year	2017	2018	2019	2020	Beyond
<b>Bonds:</b>							
- listed, fixed rate	2,012	1,339	2,204	4,922	2,194	2,361	14,777
- listed, floating rate	1,056	99	324	747	217	112	1,521
- unlisted, fixed rate	-	-	1,376	-	1,600	-	2,460
- unlisted, floating rate	-	64	65	66	282	27	732
<b>Total bonds</b>	<b>3,068</b>	<b>1,502</b>	<b>3,969</b>	<b>5,735</b>	<b>4,293</b>	<b>2,500</b>	<b>19,490</b>
<b>Bank borrowings:</b>							
- fixed rate	5	132	129	345	79	66	391
- floating rate	150	557	534	624	608	592	3,464
- use of revolving credit lines	-	-	1	30	-	-	-
<b>Total bank borrowings</b>	<b>155</b>	<b>689</b>	<b>664</b>	<b>999</b>	<b>687</b>	<b>658</b>	<b>3,855</b>
<b>Non-bank borrowings:</b>							
- fixed rate	60	190	209	191	170	192	1,000
- floating rate	18	51	69	40	34	30	87
<b>Total non-bank borrowings</b>	<b>78</b>	<b>241</b>	<b>278</b>	<b>231</b>	<b>204</b>	<b>222</b>	<b>1,087</b>
<b>TOTAL</b>	<b>3,301</b>	<b>2,432</b>	<b>4,911</b>	<b>6,965</b>	<b>5,184</b>	<b>3,380</b>	<b>24,432</b>

## Commitments to purchase commodities

In conducting its business, the Enel Group has entered into contracts to purchase specified quantities of commodities at a certain future date for its own use, which qualify for the own use exemption provided for under IAS 39.

The following table reports the undiscounted cash flows associated with outstanding commitments at December 31, 2015.

Millions of euro	at Dec. 31, 2015	2015-2019	2020-2024	2025-2029	Beyond
<b>Commitments to purchase commodities:</b>					
- electricity	48,733	18,383	9,730	6,835	13,785
- fuels	64,114	35,301	16,631	10,722	1,460
<b>Total</b>	<b>112,847</b>	<b>53,684</b>	<b>26,361</b>	<b>17,557</b>	<b>15,245</b>

## 43. Offsetting financial assets and financial liabilities

At December 31, 2015, the Group did not hold offset positions in assets and liabilities, as it is not the Enel Group's policy to settle financial assets and liabilities on a net basis.

## 44. Derivatives and hedge accounting

The following tables show the notional amount and the fair value of derivative financial assets and derivative financial liabilities eligible for hedge accounting or measured at FVTPL, classified on the basis of the type of hedge relationship and the hedged risk, broken down into current and non-current instruments.

The notional amount of a derivative contract is the amount

on the basis of which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted at the end-year exchange rates provided by the European Central Bank.

Millions of euro	Non-current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
<b>Fair value hedge derivatives:</b>								
- on interest rates	868	883	46	55	15	21	-	-
<b>Total</b>	<b>868</b>	<b>883</b>	<b>46</b>	<b>55</b>	<b>15</b>	<b>21</b>	<b>-</b>	<b>-</b>
<b>Cash flow hedge derivatives:</b>								
- on interest rates	7,090	106	116	5	25	400	1	-
- on exchange rates	13,554	9,078	2,163	1,163	2,921	2,662	280	244
- on commodities	37	702	5	107	1,093	2,755	326	326
<b>Total</b>	<b>20,681</b>	<b>9,886</b>	<b>2,284</b>	<b>1,275</b>	<b>4,039</b>	<b>5,817</b>	<b>607</b>	<b>570</b>
<b>Trading derivatives:</b>								
- on interest rates	50	50	2	3	-	15	-	1
- on exchange rates	102	121	5	2	2,064	2,094	63	157
- on commodities	53	3	6	-	16,488	14,827	4,403	4,772
<b>Total</b>	<b>205</b>	<b>174</b>	<b>13</b>	<b>5</b>	<b>18,552</b>	<b>16,936</b>	<b>4,466</b>	<b>4,930</b>
<b>TOTAL DERIVATIVE FINANCIAL ASSETS</b>	<b>21,754</b>	<b>10,943</b>	<b>2,343</b>	<b>1,335</b>	<b>22,606</b>	<b>22,774</b>	<b>5,073</b>	<b>5,500</b>

Millions of euro	Non-current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
<b>Cash flow hedge derivatives:</b>								
- on interest rates	3,643	3,635	459	554	95	922	2	2
- on exchange rates	1,991	6,415	1,006	1,627	673	341	96	4
- on commodities	187	742	12	225	2,028	2,075	677	464
<b>Total</b>	<b>5,821</b>	<b>10,792</b>	<b>1,477</b>	<b>2,406</b>	<b>2,796</b>	<b>3,338</b>	<b>775</b>	<b>470</b>
<b>Trading derivatives:</b>								
- on interest rates	107	107	16	21	100	123	65	75
- on exchange rates	140	240	18	10	3,223	2,716	43	71
- on commodities	93	20	7	4	17,056	15,307	4,626	4,825
<b>Total</b>	<b>340</b>	<b>367</b>	<b>41</b>	<b>35</b>	<b>20,379</b>	<b>18,146</b>	<b>4,734</b>	<b>4,971</b>
<b>TOTAL DERIVATIVE FINANCIAL LIABILITIES</b>	<b>6,161</b>	<b>11,159</b>	<b>1,518</b>	<b>2,441</b>	<b>23,175</b>	<b>21,484</b>	<b>5,509</b>	<b>5,441</b>



## 44.1 Derivatives designated as hedging instruments

Derivatives are initially recognized at fair value, at the trade date of the contract, and are subsequently re-measured at fair value.

The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, on the nature of the item being hedged. Hedge accounting is applied to derivatives entered into in order to reduce risks such as interest rate risk, exchange risk, commodity risk, credit risk and equity risk when all the criteria provided for under IAS 39 are met.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Group also analyzes, both at hedge inception and on an ongoing systematic basis, the effectiveness of hedges using prospective and retrospective tests in order to determine whether hedging instruments are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Depending on the nature of the risks to which it is exposed, the Group designates derivatives as hedging instruments in one of the following hedge relationships:

- > cash flow hedge derivatives in respect of the risk of: (i) changes in the cash flows associated with long-term floating-rate debt; (ii) changes in the exchange rates associated with long-term debt denominated in a currency other than the currency of account or the functional currency in which the company holding the financial liability operates; (iii) changes in the price of fuels and non-energy commodities denominated in a foreign currency; (iv) changes in the price of forecast electricity sales at variable prices; and (v) changes in the price of transactions in coal and petroleum commodities;
- > fair value hedge derivatives involving the hedging of exposures to changes in the fair value of an asset, a liability or a firm commitment attributable to a specific risk;
- > derivatives hedging a net investment in a foreign operation (NIFO), involving the hedging of exposures to exchange rate volatility associated with investments in foreign entities.

For more details on the nature and the extent of risks arising from financial instruments to which the Company is exposed, please see note 42 "Risk management".

### Cash flow hedges

Cash flow hedges are used in order to hedge the Group's exposure to changes in future cash flows that are attributa-

ble to a particular risk associated with an asset, a liability or a highly probable transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting but the hedged item has not expired or been cancelled, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

The Group currently uses these hedge relationships to minimize the volatility of profit or loss.

### Fair value hedges

Fair value hedges are used to protect the Group against exposures to adverse changes in the fair value of assets, liabilities or firm commitments attributable to a particular risk that could affect profit or loss.

Changes in the fair value of derivatives that qualify and are designated as hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedge is ineffective or no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

The Group currently makes marginal use of such hedge relationships to seize opportunities associated with general developments in the yield curve.

## 44.1.1 Hedge relationships by type of risk hedged

### Interest rate risk

The following table shows the notional amount and the fair value of the hedging instruments on the interest rate risk of

transactions outstanding as at December 31, 2015 and December 31, 2014, broken down by type of hedge.

Millions of euro		Fair value		Notional amount		Fair value		Notional amount	
		at Dec. 31, 2015				at Dec. 31, 2014			
Hedging instrument	Hedged item								
Interest rate swaps	Fixed-rate borrowings	44	853			41		1,004	
Interest rate swaps	Floating-rate borrowings	(342)	10,883			(537)		4,963	
<b>Total</b>		<b>(298)</b>	<b>11,736</b>			<b>(496)</b>		<b>5,967</b>	

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at De-

cember 31, 2015 and December 31, 2014, broken down by type of hedge.

Millions of euro		Notional amount		Fair value assets		Notional amount		Fair value liabilities	
		at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
<b>Fair value hedge derivatives:</b>									
- interest rate swaps		883	904	46	55	-	-	-	-
<b>Cash flow hedge derivatives:</b>									
- interest rate swaps		7,115	506	117	5	3,738	4,557	(461)	(556)
<b>Total interest rate derivatives</b>		<b>7,998</b>	<b>1,410</b>	<b>163</b>	<b>60</b>	<b>3,738</b>	<b>4,557</b>	<b>(461)</b>	<b>(556)</b>

The notional amount of derivatives classified as hedging instruments at December 31, 2015 came to €11,736 million, with a corresponding negative fair value of €298 million.

The notional amount rose by €5,769 million. More specifically, interest rate swaps with a total value of €1,342 million expired, while new derivatives amounted to €7,491 million, of which €7,100 million associated with the pre-hedge strategy implemented in 2015 for the future refinancing of bond issues

maturing between 2017 and 2020, in order to fix the cost of future funding in advance. The value also reflected the reduction in the notional amount of amortizing interest rate swaps. The improvement in the fair value of €198 million mainly reflects the positive fair value of the pre-hedge transactions (€114 million) and the general decline in the yield curve during the year.

### Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on interest rate risk.

Millions of euro		Fair value		Distribution of expected cash flows				
		at Dec. 31, 2015	2016	2017	2018	2019	2020	Beyond
<b>Cash flow hedge derivatives on interest rates:</b>								
- positive fair value		117	1	1	(10)	169	(20)	(11)
- negative fair value		(461)	(97)	(83)	(69)	(155)	(55)	(45)

The following table shows the impact of reserves from cash flow hedge derivatives on interest rate risk on equity during the period, gross of tax effects.

Millions of euro

<b>Opening balance at January 1, 2014</b>	<b>(1,729)</b>
Changes in fair value recognized in equity (OCI)	958
Changes in fair value recognized in profit or loss	130
<b>Closing balance at December 31, 2014</b>	<b>(641)</b>
<b>Opening balance at January 1, 2015</b>	<b>(641)</b>
Changes in fair value recognized in equity (OCI)	13
Changes in fair value recognized in profit or loss	186
<b>Closing balance at December 31, 2015</b>	<b>(442)</b>

## Exchange risk

The following table shows the notional amount and the fair value of the hedging instruments on the exchange risk of transactions outstanding as at December 31, 2015 and December 31, 2014, broken down by type of hedged item.

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
		at Dec. 31, 2015		at Dec. 31, 2014	
Hedging instruments	Hedged item				
Cross currency interest rate swaps (CCIRSs)	Fixed-rate borrowings	1,170	15,078	(508)	14,064
Cross currency interest rate swaps (CCIRSs)	Floating-rate borrowings	25	401	11	416
Cross currency interest rate swaps (CCIRSs)	Future cash flows denominated in foreign currencies	(102)	306	(38)	321
Currency forwards	Future commodity purchases denominated in foreign currencies	244	3,058	312	3,674
Currency forwards	Future cash flows denominated in foreign currencies	4	296	-	21
<b>Total</b>		<b>1,341</b>	<b>19,139</b>	<b>(224)</b>	<b>18,496</b>

Cash flow hedges and fair value hedges include:

- > CCIRSs with a notional amount of €15,078 million used to hedge the exchange risk on fixed-rate debt denominated in currencies other than the euro, with a positive fair value of €1,170 million;
- > CCIRSs with a notional amount of €707 million used to hedge the exchange risk on floating-rate debt denomina-

ted in currencies other than the euro, with a negative fair value of €77 million;

- > currency forwards with a notional amount of €3,354 million used to hedge the exchange risk associated with purchases of natural gas, purchases of fuel and expected cash flows in currencies other than the euro, with a fair value of €248 million.

The following table reports the notional amount and fair value of foreign exchange derivatives at December 31, 2015 and December 31, 2014, broken down by type of hedge.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
<b>Fair value hedge derivatives:</b>								
- CCIRs	-	-	-	-	-	-	-	-
<b>Cash flow hedge derivatives:</b>								
- currency forwards	2,927	3,520	256	315	427	175	(8)	(3)
- CCIRs	13,548	8,220	2,187	1,092	2,237	6,581	(1,094)	(1,628)
<b>Total exchange derivatives</b>	<b>16,475</b>	<b>11,740</b>	<b>2,443</b>	<b>1,407</b>	<b>2,664</b>	<b>6,756</b>	<b>(1,102)</b>	<b>(1,631)</b>

The notional amount of CCIRs at December 31, 2015 amounted to €15,785 million (€14,801 million at December 31, 2014), an increase of €984 million. Cross currency interest rate swaps with a total value of €346 million expired, while new derivatives amounted to €109 million. The value also reflects developments in the exchange rate of the euro against the main other currencies, which cause their notional amount to increase by €1,221 million.

The notional value of currency forwards at December 31, 2015 amounted to €3,354 million (€3,695 million at December 31, 2014), a decrease of €341 million. The exposure to exchange risk, especially that associated with the US dollar, is mainly due to purchases of natural gas and purchase of fuel. Changes in the notional amount are connected with normal developments in operations.

### Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on exchange risk.

Millions of euro	Fair value		Distribution of expected cash flows				
	at Dec. 31, 2015	2016	2017	2018	2019	2020	Beyond
<b>Cash flow hedge derivatives on exchange rates:</b>							
- positive fair value	2,443	498	510	218	661	217	2,818
- negative fair value	(1,102)	(176)	(67)	(71)	(215)	(28)	(474)

The following table shows the impact of reserves from cash flow hedge derivatives on exchange risk on equity during the period, gross of tax effects.

Millions of euro	
<b>Opening balance at January 1, 2014</b>	<b>(84)</b>
Changes in fair value recognized in equity (OCI)	(1,089)
Changes in fair value recognized in profit or loss	64
<b>Closing balance at December 31, 2014</b>	<b>(1,109)</b>
<b>Opening balance at January 1, 2015</b>	<b>(1,109)</b>
Changes in fair value recognized in equity (OCI)	753
Changes in fair value recognized in profit or loss	(258)
<b>Closing balance at December 31, 2015</b>	<b>(614)</b>

## Commodity risk

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
<b>Cash flow hedge derivatives</b>								
<b>Derivatives on power:</b>								
- swaps	79	545	10	50	86	152	(4)	(7)
- forwards/futures	59	1,149	3	95	175	348	(51)	(18)
<b>Total derivatives on power</b>	<b>138</b>	<b>1,694</b>	<b>13</b>	<b>145</b>	<b>261</b>	<b>500</b>	<b>(55)</b>	<b>(25)</b>
<b>Derivatives on coal:</b>								
- swaps	6	-	-	-	978	718	(182)	(183)
<b>Total derivatives on coal</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>978</b>	<b>718</b>	<b>(182)</b>	<b>(183)</b>
<b>Derivatives on gas and oil:</b>								
- swaps	67	124	35	41	150	13	(49)	(3)
- forwards/futures	715	1,426	270	197	772	1,586	(402)	(478)
<b>Total derivatives on gas and oil</b>	<b>782</b>	<b>1,550</b>	<b>305</b>	<b>238</b>	<b>922</b>	<b>1,599</b>	<b>(451)</b>	<b>(481)</b>
<b>Derivatives on CO<sub>2</sub>:</b>								
- forwards/futures	204	213	13	50	54	-	(1)	-
<b>Total derivatives on CO<sub>2</sub></b>	<b>204</b>	<b>213</b>	<b>13</b>	<b>50</b>	<b>54</b>	<b>-</b>	<b>(1)</b>	<b>-</b>
<b>TOTAL DERIVATIVES ON COMMODITIES</b>	<b>1,130</b>	<b>3,457</b>	<b>331</b>	<b>433</b>	<b>2,215</b>	<b>2,817</b>	<b>(689)</b>	<b>(689)</b>

The table reports the notional amount and fair value of derivatives hedging the price risk on commodities at December 31, 2015 and at December 31, 2014, broken down by type of hedge.

The positive fair value of cash flow hedge derivatives on commodities mainly regards hedges of gas and oil amounting to €305 million and derivatives on power and CO<sub>2</sub> totaling €26 million. The first category primarily regards hedges of fluctuations

in the price of natural gas, for both purchases and sales, carried out for oil commodities and gas products with physical delivery (all-in-one hedges).

Cash flow hedge derivatives on commodities with a negative fair value regard derivatives on gas and oil commodities amounting to €451 million, hedges of coal purchases for the generation companies amounting to €182 million and derivatives on power amounting to €55 million.

### Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on commodity risk.

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2015	2016	2017	2018	2019	2020	Beyond
<b>Cash flow hedge derivatives on commodities:</b>							
- positive fair value	331	325	5	1	-	-	-
- negative fair value	(689)	(677)	(12)	-	-	-	-

The following table shows the impact of reserves from cash flow hedge derivatives on commodity risk on equity during the period, gross of tax effects.

Millions of euro

<b>Opening balance at January 1, 2014</b>	<b>(52)</b>
Changes in fair value recognized in equity (OCI)	(318)
Changes in fair value recognized in profit or loss	122
Changes in fair value recognized in profit or loss - ineffective portion	-
<b>Closing balance at December 31, 2014</b>	<b>(248)</b>
<b>Opening balance at January 1, 2015</b>	<b>(248)</b>
Changes in fair value recognized in equity (OCI)	(649)
Changes in fair value recognized in profit or loss	275
<b>Closing balance at December 31, 2015</b>	<b>(622)</b>

## 44.2 Derivatives at fair value through profit or loss

The following table shows the notional amount and the fair value of derivatives at FVTPL as at December 31, 2015 and December 31, 2014.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014	at Dec. 31, 2015	at Dec. 31, 2014
<b>Derivatives at FVTPL</b>								
<b>Derivatives on interest rates:</b>								
- interest rate swaps	50	65	2	4	157	180	(75)	(88)
- interest rate options	-	-	-	-	50	50	(6)	(8)
<b>Derivatives on exchange rates:</b>								
- currency forwards	2,166	2,215	68	159	3,335	2,956	(61)	(81)
- CCIRs	-	-	-	-	28	-	-	-
<b>Derivatives on power:</b>								
- swaps	796	1,207	73	155	714	1,611	(60)	(183)
- forwards/futures	5,995	5,391	422	480	5,879	5,456	(399)	(417)
- options	7	104	-	2	14	80	-	(6)
<b>Total derivatives on power</b>	<b>6,798</b>	<b>6,702</b>	<b>495</b>	<b>637</b>	<b>6,607</b>	<b>7,147</b>	<b>(459)</b>	<b>(606)</b>
<b>Derivatives on coal:</b>								
- swaps	873	1,527	241	187	887	1,742	(266)	(218)
- forwards/futures	76	73	14	7	24	51	(10)	(15)
- options	-	3	-	3	2	10	(7)	(23)
<b>Total derivatives on coal</b>	<b>949</b>	<b>1,603</b>	<b>255</b>	<b>197</b>	<b>913</b>	<b>1,803</b>	<b>(283)</b>	<b>(256)</b>
<b>Derivatives on gas and oil:</b>								
- swaps	531	645	1,538	2,686	675	902	(1,592)	(2,747)
- forwards/futures	7,957	5,677	1,859	944	8,555	5,170	(1,974)	(824)
- options	133	99	236	278	184	102	(288)	(331)
<b>Total derivatives on gas and oil</b>	<b>8,621</b>	<b>6,421</b>	<b>3,633</b>	<b>3,908</b>	<b>9,414</b>	<b>6,174</b>	<b>(3,854)</b>	<b>(3,902)</b>
<b>Derivatives on CO<sub>2</sub>:</b>								
- forwards/futures	165	68	21	19	161	63	(7)	(10)
- options	-	-	-	-	-	-	-	-
<b>Total derivatives on CO<sub>2</sub></b>	<b>165</b>	<b>68</b>	<b>21</b>	<b>19</b>	<b>161</b>	<b>63</b>	<b>(7)</b>	<b>(10)</b>
<b>Derivatives on other commodities:</b>								
- swaps	8	35	5	10	54	138	(30)	(53)
- forwards/futures	-	-	-	-	-	-	-	-
- options	-	1	-	1	-	2	-	(2)
<b>Total derivatives on other commodities</b>	<b>8</b>	<b>36</b>	<b>5</b>	<b>11</b>	<b>54</b>	<b>140</b>	<b>(30)</b>	<b>(55)</b>
Embedded derivatives	-	-	-	-	-	-	-	-
<b>TOTAL DERIVATIVES ON COMMODITIES</b>	<b>18,757</b>	<b>17,110</b>	<b>4,479</b>	<b>4,935</b>	<b>20,719</b>	<b>18,513</b>	<b>(4,775)</b>	<b>(5,006)</b>

At December 31, 2015 the notional amount of trading derivatives on interest rates came to €257 million. The change in the notional compared with December 31, 2014 is attributable to the expiry of €38 million in derivatives during 2015 that, although established for hedging purposes, did not meet the requirements for hedge accounting. The fair value of a negative €79 million improved by €13 million on the previous year, mainly due to the general decline in the yield curve.

At December 31, 2015, the notional amount of derivatives on exchange rates was €5,529 million. The increase in their notional value and the reduction in the associated net fair value of €71 million mainly reflected normal operations and developments in exchange rates. In addition, in 2015 cross currency interest rate swaps with a notional amount of €28 million were established to hedge borrowing denominated

in foreign currencies, which were classified as at fair value through profit or loss as they did not meet the requirements for hedge accounting.

At December 31, 2015, the notional amount of derivatives on commodities came to €33,690 million.

The fair value of trading derivatives on commodities classified as assets mainly reflects the market valuation of hedges of gas and oil amounting to €3,633 million and derivatives on power amounting to €495 million.

The fair value of trading derivatives on commodities classified as liabilities mainly regards hedges of gas and oil amounting to €3,854 million and derivatives on power amounting to €459 million.

These values include transactions that, although established for hedging purposes, did not meet the requirements for hedge accounting.

## 45. Assets measured at fair value

The Group determines fair value in accordance with IFRS 13 whenever such measurement is required by the international accounting standards as a recognition or measurement criterion.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).

The best proxy of fair value is market price, i.e. the current publically available price actually used on a liquid and active market.

The fair value of assets and liabilities is classified in accordance with the three-level hierarchy described below, depending on the inputs and valuation techniques used in determining their fair value:

- > Level 1, where the fair value is determined on basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- > Level 2, where the fair value is determined on basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices);

- > Level 3, where the fair value is determined on the basis of unobservable inputs.

This note also provides detailed disclosures concerning the valuation techniques and inputs used to perform these measurements.

To that end:

- > recurring fair value measurements of assets or liabilities are those required or permitted by the IFRS in the balance sheet at the close of each period;
- > non-recurring fair value measurements are those required or permitted by the IFRS in the balance sheet in particular circumstances.

For general information or specific disclosures on the accounting treatment of these circumstances, please see note 2 "Accounting policies and measurement criteria"

The following table shows, for each class of assets measured at fair value on a recurring or non-recurring basis in the financial statements, the fair value measurement at the end

of the reporting period and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Equity investments in other companies measured at fair value	24	181	181	-	-	-	-	-	-
Service concession arrangements	24	631	-	631	-	-	-	-	-
Financial investments in funds	24.1	45	45	-	-	-	-	-	-
<b>Cash flow hedge derivatives:</b>									
- on interest rates	44	116	-	116	-	1	-	1	-
- on exchange rates	44	2,163	-	2,163	-	280	-	280	-
- on commodities	44	5	1	4	-	326	283	43	-
<b>Fair value hedge derivatives:</b>									
- on interest rates	44	46	-	46	-	-	-	-	-
<b>Trading derivatives:</b>									
- on interest rates	44	2	-	2	-	-	-	-	-
- on exchange rates	44	5	-	5	-	63	-	63	-
- on commodities	44	6	1	5	-	4,403	3,071	1,332	-
Inventories measured at fair value	26	-	-	-	-	65	65	-	-
Assets classified as held for sale	30	-	-	-	-	6,887	-	-	6,887

The fair value of equity investments in other companies is determined for listed companies on the basis of the quoted price set on the closing date of the year, while that for unlisted companies is based on a reliable valuation of the relevant assets and liabilities.

“Service concession arrangements” concern electricity distribution operations in Brazil by Ampla and Coelce and are accounted for in accordance with IFRIC 12. Fair value was estimated as the net replacement cost based on the most recent rate information available and on the general price index for the Brazilian market.

The fair value of derivative contracts is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on a regulated market is determined using valuation methods appropriate for each type of financial instrument and market data as of the close of the period (such as interest rates, exchange rates,

volatility), discounting expected future cash flows on the basis of the market yield curve and translating amounts in currencies other than the euro using exchange rates provided by the European Central Bank. For contracts involving commodities, the measurement is conducted using prices, where available, for the same instruments on both regulated and unregulated markets.

In accordance with the new international accounting standards, in 2013 the Group included a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk. More specifically, the Group measures CVA/DVA using a Potential Future Exposure valuation technique for the net exposure of the position and subsequently allocating the adjustment to the individual financial instruments that make up the overall portfolio. All of the inputs used in this technique are observable on the market.



The notional amount of a derivative contract is the amount on which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price).

Amounts denominated in currencies other than the euro are converted into euros at the year-end exchange rates provided by the European Central Bank.

The notional amounts of derivatives reported here do not necessarily represent amounts exchanged between the parties and therefore are not a measure of the Group's credit risk exposure. For listed debt instruments, the fair value is given by official prices. For unlisted instruments the fair value is determined using appropriate valuation techniques for each category of financial instrument and market data at the closing date of the year, including the credit spreads of Enel SpA.

Finally, "assets classified as held for sale" primarily regard Slovenské elektrárne, HydroDolomiti Enel and Compostilla. The associated fair value is the estimated realizable value, net of disposal prices, as determined on the basis of the documentation currently available on the sale of the company. More specifically, in the more significant case of Slovenské elektrárne, the overall price is subject to an adjustment that will be calculated by independent experts and applied following the closing of the second phase (12 months after receiving the Trial Operation Permit for units 3 and 4 of the Mochovce nuclear power plant) on the basis of a set of parameters, including the evolution of the net financial position of Slovenské elektrárne, developments in energy prices in the Slovak market, operating efficiency levels at Slovenské elektrárne as measured against benchmarks specified in the agreement, and the enterprise value of units 3 and 4 of Mochovce.

## 45.1 Fair value of other assets

For each class of assets not measured at fair value on a recurring basis but whose fair value must be reported, the following table reports the fair value at the end of the period

and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Investment property	18	172	-	14	158	-	-	-	-
Equity investments in other companies	24	7	-	-	7	-	-	-	-
Inventories	26	-	-	-	-	68	-	-	68

The table reports investment property, equity investments in other companies and inventories measured at cost, whose fair value has been estimated at €172 million, €7 million and €68 million respectively. The amounts were calculated with the assistance of appraisals conducted by independent experts, who used different methods depending on the specific assets involved.

The value of equity investments classified in Level 3 decreased by €5 million compared with 2014 and regards a number of equity investments of Endesa.

The value of inventories largely regards property not used in operations.

## 46. Liabilities measured at fair value

The following table reports for each class of liabilities measured at fair value on a recurring or non-recurring basis in the financial statements the fair value measurement at the end

of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro		Non-current liabilities				Current liabilities			
	Notes	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
<b>Cash flow hedge derivatives:</b>									
- on interest rates	44	459	-	459	-	2	-	2	-
- on exchange rates	44	1,006	-	1,006	-	96	-	2	-
- on commodities	44	12	1	11	-	677	115	562	-
<b>Trading derivatives:</b>									
- on interest rates	44	16	-	16	-	65	-	65	-
- on exchange rates	44	18	-	18	-	43	-	43	-
- on commodities	44	7	2	5	-	4,626	4,052	574	-
Contingent consideration	40	-	-	-	-	36	-	-	36
Payables for put options granted to minority shareholders	40	21	-	-	21	793	-	-	793
Liabilities included in disposal groups classified as held for sale	31	-	-	-	-	5,364	-	-	5,364

Contingent consideration regards a number of equity investments held by the Group in North America, whose fair value was determined on the basis of the contractual terms and conditions.

The item “payables for put options granted to minority shareholders” includes the liability for the options on Enel Distributie Muntenia and Enel Energie Muntenia in the total amount of €778 million, determined on the basis of the exercise conditions in the associated contracts, and €36 million

for the liability associated with the options on a number of Latin American companies (€21 million) and Maicor Wind (€15 million).

The “liabilities included in disposal groups classified as held for sale” mainly regard Slovenské elektrárne. The fair value is the estimated realizable value, net of disposal prices, as determined on the basis of the documentation currently available on the sale of the company.

### 46.1 Fair value of other liabilities

For each class of liabilities not measured at fair value in the balance sheet but whose fair value must be reported, the following table reports the fair value at the end of the period

and the level in the fair value hierarchy into which the fair value measurements of those liabilities are classified.

Millions of euro					
	Notes	Fair value	Level 1	Level 2	Level 3
<b>Bonds:</b>					
- fixed rate	41.3.1	41,083	39,356	1,727	-
- floating rate	41.3.1	5,383	2,237	3,146	-
<b>Bank borrowings:</b>					
- fixed rate	41.3.1	1,256	-	1,256	-
- floating rate	41.3.1	6,843	-	6,843	-
<b>Non-bank borrowings:</b>					
- fixed rate	41.3.1	2,012	-	2,012	-
- floating rate	41.3.1	341	-	341	-
<b>Total</b>		<b>56,918</b>	<b>41,593</b>	<b>15,325</b>	<b>-</b>

## 47. Related parties

As an operator in the field of generation, distribution, transport and sale of electricity and the sale of natural gas, Enel carries out transactions with a number of companies directly

or indirectly controlled by the Italian State, the Group's controlling shareholder.

The table below summarizes the main types of transactions carried out with such counterparties.

Related party	Relationship	Nature of main transactions
Acquirente Unico - Single Buyer	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Purchase of electricity for the enhanced protection market
GME - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange Purchase of electricity on the Power Exchange for pumping and plant planning
GSE - Energy Services Operator	Fully controlled (directly) by the Ministry for the Economy and Finance	Sale of subsidized electricity Payment of A3 component for renewable resource incentives
Terna	Indirectly controlled by the Ministry for the Economy and Finance	Sale of electricity on the Ancillary Services Market Purchase of transport, dispatching and metering services
Eni Group	Directly controlled by the Ministry for the Economy and Finance	Sale of electricity transport services Purchase of fuels for generation plants, storage services and natural gas distribution
Finmeccanica Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods
Poste Italiane Group	Fully controlled (directly) by the Ministry for the Economy and Finance	Purchase of postal services

Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as Fondazione Enel and Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance.

All transactions with related parties were carried out on normal market terms and conditions, which in some cases are determined by the Authority for Electricity, Gas and the Water System.

The following tables summarize transactions with related parties, associated companies and joint arrangements

outstanding at December 31, 2015 and December 31, 2014 and carried out during the period.

Millions of euro	Acquirente Unico	GME	Terna	Eni	GSE	Poste Italiane Group	Other
<b>Income statement</b>							
Revenue from sales and services	-	2,468	1,190	1,503	195	37	115
Other revenue	-	-	5	-	290	-	16
Other financial income	-	-	-	-	-	-	-
Electricity, gas and fuel purchases	3,695	1,553	136	1,464	3	-	26
Services and other materials	1	91	1,954	113	11	102	60
Other operating expenses	3	-	3	45	-	-	3
Net income/(expense) from commodity contracts measured at fair value	-	-	(24)	-	-	-	-
Other financial expense	-	-	-	-	-	-	-

Millions of euro	Acquirente Unico	GME	Terna	Eni	GSE	Poste Italiane Group	Other
<b>Balance sheet</b>							
Trade receivables	-	217	473	116	68	5	15
Other current financial assets	-	-	-	-	-	-	-
Other current assets	-	4	25	-	69	5	2
Other non-current liabilities	-	-	-	-	-	-	4
Trade payables	620	373	376	184	1,256	38	27
Other current liabilities	-	-	8	-	-	1	4
<b>Other information</b>							
Guarantees issued	-	280	253	-	-	-	1
Guarantees received	-	-	-	150	-	8	27
Commitments	-	-	2	21	-	-	14

Key management personnel	Total 2015	Associates and joint arrangements	Overall total 2015	Total in financial statements	% of total
-	5,508	75	5,583	73,076	7.6%
-	311	3	314	2,582	12.2%
-	-	15	15	1,563	1.0%
-	6,877	212	7,089	37,644	18.8%
-	2,332	99	2,431	16,457	14.8%
-	54	-	54	2,654	2.0%
-	(24)	-	(24)	168	-14.3%
-	-	29	29	4,969	0.6%

Key management personnel	Total at Dec. 31, 2015	Associates and joint arrangements	Overall total at Dec. 31, 2015	Total in financial statements	% of total
-	894	43	937	12,797	7.3%
-	-	2	2	2,381	0.1%
-	105	30	135	2,898	4.7%
-	4	-	4	1,549	0.3%
-	2,874	37	2,911	11,775	24.7%
-	13	1	14	11,222	0.1%
-	534	-	534		
-	185	-	185		
-	37	-	37		

Millions of euro	Acquirente Unico	GME	Terna	Eni	GSE	Poste Italiane Group	Other
<b>Income statement</b>							
Revenue from sales and services	-	3,087	1,150	1,124	256	25	63
Other revenue	-	-	4	1	353	-	5
Other financial income	-	-	-	-	-	-	-
Electricity, gas and fuel purchases	4,395	1,690	64	1,229	1	-	2
Services and other materials	-	163	1,886	77	4	119	46
Other operating expenses	3	-	4	46	-	-	-
Net income/(expense) from commodity contracts measured at fair value	17	-	29	-	-	-	-
Other financial expense	-	-	-	-	-	-	-

Millions of euro	Acquirente Unico	GME	Terna	Eni	GSE	Poste Italiane Group	Other
<b>Balance sheet</b>							
Trade receivables	-	444	544	127	24	5	14
Other current assets	1	7	13	1	102	5	5
Other non-current liabilities	-	-	-	-	-	-	2
Trade payables	762	382	406	443	1,006	45	29
Other current liabilities	-	-	1	-	-	1	-
Non-current derivative financial liabilities	-	-	24	-	-	-	-
<b>Other information</b>							
Guarantees received	-	-	-	150	-	4	24
Commitments	-	-	1	19	-	18	11

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at [http://www.enel.com/en-GB/group/governance/rules/related\\_parties/](http://www.enel.com/en-GB/group/governance/rules/related_parties/)) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation

of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In 2015, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution 17221 of March 12, 2010, as amended with Resolution 17389 of June 23, 2010.

Key management personnel	Total 2014	Associates and joint arrangements	Overall total 2014	Total in financial statements	% of total
-	5,705	46	5,751	73,328	7.8%
-	363	4	367	2,463	14.9%
-	-	23	23	1,248	1.8%
-	7,381	214	7,595	36,928	20.6%
-	2,295	145	2,440	17,179	14.2%
-	53	-	53	2,362	2.2%
-	46	-	46	(225)	-20.4%
-	-	28	28	5,540	0.5%

Key management personnel	Total at Dec. 31, 2014	Associates and joint arrangements	Overall total at Dec. 31, 2014	Total in financial statements	% of total
-	1,158	62	1,220	12,022	10.1%
-	134	8	142	3,465	4.1%
-	2	-	2	1,464	0.1%
-	3,073	86	3,159	13,419	23.5%
-	2	1	3	10,827	-
-	24	-	24	2,441	1.0%
-	178	-	178		
-	49	-	49		

## 48. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

Millions of euro

	at Dec. 31, 2015	at Dec. 31, 2014	Change
<b>Guarantees given:</b>			
- sureties and other guarantees granted to third parties	6,701	4,304	2,397
<b>Commitments to suppliers for:</b>			
- electricity purchases	48,733	54,384	(5,651)
- fuel purchases	64,114	63,605	509
- various supplies	1,725	1,782	(57)
- tenders	1,905	1,785	120
- other	2,895	2,345	550
<b>Total</b>	<b>119,372</b>	<b>123,901</b>	<b>(4,529)</b>
<b>TOTAL</b>	<b>126,073</b>	<b>128,205</b>	<b>(2,132)</b>

For more details on the expiry of commitments and guarantees, please see the section "Commitments to purchase commodities" in note 42.



# 49. Contingent liabilities and assets

## Porto Tolle thermal plant - Air pollution - Criminal proceedings against Enel directors and employees

The Court of Adria, in a ruling issued on March 31, 2006, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and public authorities. Damages for a number of mainly private parties (individuals and environmental associations), were set at the amount of €367,000. The calculation of the amount of damages owed to certain public entities (Ministry for the Environment, a number of public entities of Veneto and Emilia Romagna, including the area's park agencies) was postponed to a later civil trial, although a "provisional award" of about €2.5 million was immediately due.

An appeal was lodged against the ruling of the Court of Adria and on March 12, 2009, the Court of Appeal of Venice partially reversed the lower court decision. It found that the former directors had not committed a crime and that there was no environmental damage and therefore ordered recovery of the provisional award already paid. The prosecutors and the civil claimants lodged an appeal against the ruling with the Court of Cassation. In a ruling on January 11, 2011, the Court of Cassation granted the appeal, overturning the decision of the Venice Court of Appeal, and referred the case to the civil section of the Venice Court of Appeal to rule as regards payment of damages and the division of such damages among the accused. As regards amounts paid to a number of public entities in Veneto, Enel has already made payment under a settlement agreement reached in 2008. With a suit lodged in July 2011, the Ministry for the Environment, the public entities of Emilia Romagna and the private actors who had already participated as injured parties in the criminal case asked the Venice Court of Appeal to order Enel SpA and Enel Produzione to pay civil damages for harm caused by the emissions from the Porto Tolle power station. The amount of damages requested for economic and environmental losses was about €100 million, which Enel contested. During 2013, an agreement was reached – with no admission of

liability by Enel/Enel Produzione – with the public entities of Emilia Romagna to express social solidarity in line with the general sustainability policies of the Group. The suits with the Ministry and private parties (environmental associations and a number of resident individuals, who have received no payments from Enel during the proceedings) remain open. On July 10, 2014, the decision of the Venice Court of Appeal was filed ordering the defendants, jointly with Enel/Enel Produzione, to pay damages in the amount of €312,500, plus more than €55,000 in legal expenses. The Ministry's request for calculation of the amount of damages it claimed it was owed was deemed inadmissible, as grounds for barring such action arose in the course of the criminal proceedings. In the meantime the Court issued a general conviction with damages to be awarded in a separate decision and ordered payment of legal costs. Enel lodged an appeal with the Court of Cassation in February 2015 of the ruling of the Venice Court of Appeal of July 10, 2014 and is currently waiting for the date of the hearing to be set.

In August 2011, the Public Prosecutor's Office of Rovigo asked that a number of directors, former directors, officers, former officers and employees of Enel and Enel Produzione be remanded for trial on the charge of willful omission to take precautionary actions to prevent a disaster in respect of the alleged emissions from the Porto Tolle plant. Subsequently, the public prosecutor filed charges of willfully causing a disaster. During 2012, the pre-trial hearing judge of Rovigo, granting the request of the Public Prosecutor's Office of Rovigo, ordered the committal for trial of all of the accused for both offences. The Ministry for the Environment, the Ministry of Health and other actors, mainly local authorities in Emilia Romagna and Veneto, as well as the park agencies of the area, joined the case as injured parties, seeking unspecified damages from the above individuals, without citing Enel or Enel Produzione as liable parties. Evidence was submitted during 2013. During the year, as part of the agreement mentioned earlier, most of the public entities withdrew their suits.

At the hearing of March 31, 2014, the Court sitting en banc issued its ruling of first instance, acquitting all of the accused of the charge of willful omission to take precautionary safety measures. The Court also acquitted all of the accused of the charge of willfully causing a disaster, with the exception of the two former Chief Executive Officers of Enel SpA (although the Court did not grant the request for recognition of aggravating circumstances as provided for when the di-

saster actually occurs). The former Chief Executive Officers were then ordered to pay unspecified damages in a separate civil action, with a total provisional ruling of €410,000 and payment of court costs for the remaining civil parties to the action. The Court's full ruling was filed at the end of September 2014. The decision was appealed by the two former Chief Executive Officers and by the public prosecutor at the start of November 2014. Further appeals were later filed by (i) the Chief Executive Officer in office until 2014, despite having been acquitted, in order to obtain the denial of the grounds for appeal of the prosecutor and a broader acquittal than that obtained in the first trial; (ii) two local authorities that had not initially participated; (iii) the two Ministries (Environment and Health) and (iv) the Italia Nostra association. The date of the hearing for arguments before the Venice Court of Appeal has not yet been set.

## Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

A criminal proceeding is under way before the Court of Brindisi concerning the Brindisi Sud thermal plant. A number of employees of Enel Produzione – cited as a liable party in civil litigation during 2013 – have been accused of causing criminal damage and dumping of hazardous substances with regard to the alleged contamination of land adjacent to the plant with coal dust as a result of actions between 1999 and 2011. At the end of 2013, the accusations were extended to cover 2012 and 2013. As part of the proceeding, injured parties, including the Province and City of Brindisi, have submitted claims for total damages of about €1.4 billion. The argument phase is under way.

Criminal proceedings are also under way before the Courts of Reggio Calabria and Vibo Valentia against a number of employees of Enel Produzione for the offense of illegal waste disposal in connection with alleged violations concerning the disposal of waste from the Brindisi plant. Enel Produzione has not been cited as a liable party for civil damages.

After the filing of the findings of the new expert witnesses requested by the Court, the proceedings before the Court of Reggio Calabria were adjourned until March 31, 2016 to continue the questioning of the new expert witnesses begun on February 17, 2016. The proceedings before the Court of Vibo Valentia were adjourned until March 22, 2016 in order

to hear the testimony of the final witnesses called by the other accused.

## Out-of-court disputes and litigation connected with the blackout of September 28, 2003

In the wake of the blackout that occurred on September 28, 2003, numerous claims were filed against Enel Distribuzione for automatic and other indemnities for losses. These claims gave rise to substantial litigation before justices of the peace, mainly in the regions of Calabria, Campania and Basilicata, with a total of some 120,000 proceedings. Charges in respect of such indemnities could be recovered in part under existing insurance policies. Most of the initial rulings by these judges found in favor of the plaintiffs, while appellate courts have nearly all found in favor of Enel Distribuzione. The Court of Cassation has also consistently ruled in favor of Enel Distribuzione. At December 31, 2015 pending cases numbered about 18,000 as a result of additional appeals filed. In addition, in view of the rulings in Enel's favor by both the Courts of Appeal and the Court of Cassation, the flow of new claims has come to a halt. Beginning in 2012, a number of actions for recovery were initiated, which continue, to obtain repayment of amounts paid by Enel in execution of the rulings in the courts of first instance.

In May 2008, Enel served its insurance company (Cattolica) a summons to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings. The case also involved a number of reinsurance companies in the proceedings, which have challenged Enel's claim. In a ruling of October 21, 2013, the Court of Rome granted Enel's petition, finding the insurance coverage to be valid and ordering Cattolica, and consequently the reinsurance companies, to hold Enel harmless in respect of amounts paid or to be paid to users and their legal counsel as well as, within the limits established by the policies, to pay defense costs.

On the basis of that ruling, in October 2014, Enel filed suit against Cattolica with the Court of Rome to obtain a quantification of the amounts due to Enel and payment of those amounts by Cattolica.

The first hearing with the parties in court was set, after a number of postponements, for July 18, 2016, to allow Cattolica to carry out additional summons.

Subsequently, Cattolica appealed the ruling of the court of

first instance of October 21, 2013, before the Rome Court of Appeal, asking that it be overturned.

The suit was adjourned until February 23, 2018 for final pleadings.

## BEG litigation

Following an arbitration proceeding initiated by BEG SpA in Italy, Enelpower obtained a ruling in its favor in 2002, which was upheld by the Court of Cassation in 2010, which entirely rejected the complaint with regard to alleged breach by Enelpower of an agreement concerning the construction of a hydroelectric power station in Albania.

Subsequently, BEG, acting through its subsidiary Albania BEG Ambient Shpk, filed suit against Enelpower and Enel SpA in Albania concerning the matter, obtaining a ruling, upheld by the Albanian Supreme Court of Appeal, ordering Enelpower and Enel to pay tortious damages of about €25 million for 2004 as well as an unspecified amount of tortious damages for subsequent years. Following the ruling, Albania BEG Ambient demanded payment of more than €430 million.

The European Court of Human Rights, with which Enelpower SpA and Enel SpA had filed an appeal for violation of the right to a fair trial and the rule of law by the Republic of Albania, rejected the petition as inadmissible. The ruling was purely procedural and did not address the substance of the suit.

In February 2012, Albania BEG Ambient filed suit against Enel SpA and Enelpower SpA with the *Tribunal de Grande Instance* in Paris in order to render the ruling of the Albanian court enforceable in France. Enel SpA and Enelpower SpA challenged the suit. The proceeding is still under way and the Court has issued no preliminary or definitive rulings so far. Subsequently, again at the initiative of Albania BEG Ambient, Enel France was served with two “*Saise Conservatoire de Créances*” (orders for the precautionary attachment of receivables) to conserve any receivables of Enel SpA in respect of Enel France. J.P. Morgan Bank Luxembourg SA was also served with an analogous order in respect of any receivables of Enel SpA.

In March 2014, Albania BEG Ambient filed suit against Enel SpA and Enelpower SpA in New York to render the ruling of the Albanian court enforceable in the State of New York. Enel

SpA and Enelpower, in presenting their defense, contested all aspects of the foundation of the plaintiff's case and they took all steps available to them to defend their interests.

On April 22, 2014, in response to a motion filed by Enel and Enelpower, the court revoked the previous ruling issued against the companies freezing assets of around \$600 million. The suit is pending and no measures, preliminary or otherwise, have been taken by the court. On April 27, 2015, Enel SpA and Enelpower SpA asked for the case to be transferred from the New York State Courts to the Federal Courts. In a ruling of March 10, 2016, the Federal Court denied the motion of Enel SpA and Enelpower SpA, confirming the jurisdiction of the New York State Court, where the case is proceeding.

On June 2, 2014 Albania BEG Ambient obtained an order from the court in the Hague, based upon the preliminary injunction, freezing up to €440 million held with a number of entities and the establishment of a lien on the shares of two subsidiaries of Enel SpA in that country. Enel SpA and Enelpower SpA challenged that ruling and on July 1, 2014, the Dutch court, in granting the petition of Enel and Enelpower, provisionally determined the value of the suit at €25 million and ordered the removal of the preliminary injunction subject to the issue of a bank guarantee in the amount of €25 million by Enel and Enelpower. Enel and Enelpower have appealed this ruling.

On July 3, 2014, Albania BEG Ambient sought to obtain a second order to freeze assets. Following the hearing of August 28, 2014, the court in the Hague granted a preliminary injunction for the amount of €425 million on September 18, 2014. Enel and Enelpower have appealed this injunction. In a ruling of February 9, 2016, the Hague Court of Appeal upheld the appeals, ordering the revocation of the preliminary injunctions subject to the pledging of a guarantee by Enel of €440 million and a counter-guarantee by Albania BEG Ambient of about €50 million (the estimated value of the losses of Enel and Enelpower from the seizure of assets and the pledge of bank guarantees).

At the end of July 2014, Albania BEG Ambient filed suit in the Netherlands to render the ruling of the Albanian court enforceable in that country. At the end of January 2016, the final hearing was held and the decision will be issued on May 4, 2016.

Albania BEG Ambient also filed suits in Ireland and Luxembourg to render the ruling of the Court of Tirana enforceable in those two countries. In Ireland, the court issued a ruling

on March 8, 2016 upholding the defense of Enel and Enelpower, finding that Ireland had no jurisdiction. The ruling will be approved in the coming weeks. In Luxembourg, the proceeding is still under way and Enel and Enelpower are challenging the claims put forth by Albania BEG Ambient. The court has issued no ruling.

With a ruling of June 16, 2015, the first level was completed in the additional suit lodged by Enelpower SpA and Enel SpA with the Court of Rome asking the Court to ascertain the liability of BEG SpA for having evaded compliance with the arbitration ruling issued in Italy in favor of Enelpower SpA through the legal action taken by Albania BEG Ambient. With this action, Enelpower SpA and Enel SpA have asked the Court to find BEG liable and order it to pay damages in the amount that the other could be required to pay to Albania BEG Ambient in the event of the enforcement of the sentence issued by the Albanian courts. With the ruling, the Court of Rome found that BEG SpA did not have standing to be sued, or alternatively, that the request was not admissible for lack of an interest for Enel SpA and Enelpower SpA to sue, as the Albanian ruling had not yet been declared enforceable in any court. The Court ordered the setting off of court costs. Enel SpA and Enelpower SpA appealed the ruling before the Rome Court of Appeal, asking that it be overturned in full.

## Violations of Legislative Decree 231/2001

The following two cases for alleged violation of Legislative Decree 231/2001 concerning the administrative liability of legal persons are pending. One involves Enel Produzione and one involves Enel Distribuzione, for omission of accident prevention measures:

- > for an accident involving an employee of a subcontractor at the Enel Federico II plant at Brindisi in 2009, Enel Produzione has been charged with administrative liability for negligent personal injury. The trial in the court of first instance ended on March 8, 2016 with the acquittal of the Enel employees and the Company for offenses under Legislative Decree 231/2001;
- > for a fatal accident involving an employee of a subcontractor in Palermo in 2008, Enel Distribuzione has been charged with administrative liability for manslaughter. The trial is proceeding.

## Red Eléctrica de España arbitration - Spain

On July 1, 2010, in compliance with legal requirements, Endesa Distribución Eléctrica ("EDE") signed a contract with Red Eléctrica de España ("REE") for the sale of assets consisting of the transmission network owned by EDE. The price was set at about €1,400 million. The contract provided for a price adjustment if remuneration decreased or increased following the liquidation carried out by the *Comisión Nacional de los Mercados y la Competencia* (CNMC) by December 31, 2013.

REE's interpretation of Ministerial Order IET/2443/2013, published in December 2013, would produce a lower remuneration than that provided for in the contract and, on that basis, the company undertook an arbitration proceeding before the *Corte Civil y Mercantil de Arbitraje* (CIMA), asking for an adjustment of the sale price.

The value of the claim was subsequently quantified at €94 million. In November 2015, a settlement was reached to end the arbitration proceeding (and any possible litigation).

## Basilus litigation (formerly Meridional) - Brazil

The Brazilian construction company Basilus S/A Serviço, Empreendimento y Participações (formerly Meridional) held a contract for civil works with the Brazilian company CELF (owned by the State of Rio de Janeiro), which withdrew from the contract. As part of its privatization, CELF transferred its assets to Ampla Energia e Serviços SA (Ampla). In 1998, Basilus filed suit against Ampla, arguing that the transfer had infringed its rights and that it had been defrauded.

Ampla obtained favorable judgments in the courts of first and second instance. Although the second-level decision was adjudicated Basilus lodged a special appeal (*mandado de segurança*) in September 2010 asking for the adverse ruling to be overturned. That request was denied.

Subsequently Basilus lodged a new appeal with the *Tribunal Superior de Justiça*, which was denied. Basilus has appealed the decision.

The amount involved in the dispute is about R\$1,344 million (about €311 million).

## CIEN litigation - Brazil

In 1998 the Brazilian company CIEN signed an agreement with Tractebel for the delivery of electricity from Argentina through its Argentina-Brazil interconnection line. As a result of Argentine regulatory changes introduced as a consequence of the economic crisis in 2002, CIEN was unable to make the electricity available to Tractebel. In October 2009, Tractebel sued CIEN, which submitted its defense. CIEN cited force majeure as a result of the Argentine crisis as the main argument in its defense. Out of court, Tractebel has indicated that it plans to acquire 30% of the interconnection line involved in the dispute.

In March 2014, the court granted CIEN's motion to suspend the proceedings in view of the existence of other litigation pending between the parties.

The amount involved in the dispute is estimated at about R\$118 million (about €27 million), plus unspecified damages.

For analogous reasons, in May 2010 Furnas also filed suit against CIEN for failure to deliver electricity, requesting payment of about R\$520 million (about €121 million), in addition to unspecified damages.

In alleging non-performance by CIEN, Furnas is also seeking to acquire ownership (in this case 70%) of the interconnection line.

CIEN's defense is similar to the earlier case. The claims put forth by Furnas were rejected by the trial court in August 2014.

Furnas lodged an appeal against the latter decision and the proceedings are continuing.

## Cibran litigation - Brazil

Companhia Brasileira de Antibióticos (Cibran) has filed a number of suits against Ampla Energia e Serviços SA (Ampla) to obtain damages for alleged losses incurred as a result of the interruption of service by the Brazilian distribution company. The court ordered a unified technical appraisal for those cases, the findings of which were partly unfavorable to Ampla. The latter challenged the findings, asking for a new study. The proceedings concerning that petition are pending.

In September 2014, the court of first instance issued a ruling against Ampla in one of the various suits noted above, levying a penalty of about R\$200,000 (about €46,000) as well as other damages to be quantified at a later stage. Am-

pla has appealed the ruling and the appeal is under way.

In another pending case, on June 1, 2015, the courts issued a ruling ordering Ampla to pay R\$80,000 (about €18,000) in non-pecuniary damages as well as R\$96,465,103 (about €22 million) in pecuniary damages on the basis of an expert appraisal, plus interest. Ampla appealed the decision. The value of all the disputes is estimated at about R\$374 million (about €86 million).

## Coperva litigation - Brazil

As part of the project to expand the grid in rural areas of Brazil, in 1982 Companhia Energética do Ceará SA ("Coelce"), then owned by the Brazilian government and now an Enel Group company, had entered into contracts for the use of the grids of a number of cooperatives established specifically to pursue the expansion project. The contracts provided for the payment of a monthly fee by Coelce, which was also required to maintain the networks.

Those contracts, between cooperatives established in special circumstances and the then public-sector company, do not specifically identify the grids governed by the agreements, which has prompted a number of the cooperatives to sue Coelce asking for, among other things, a revision of the fees agreed in the contracts. These actions include the suit filed by Cooperativa de Eletrificação Rural do V do Acaraú Ltda (Coperva) with a value of about R\$179 million (about €42 million). Coelce was granted rulings in its favor from the court of first instance and the Court of Appeal, but Coperva filed a further appeal (*Embargo de Aclaración*) and a decision is pending.

## El Quimbo (Colombia)

A number of legal actions ("*acciones de grupo*" and "*acciones populares*") brought by residents and fishermen in the affected area are pending with regard to the El Quimbo project for the construction of a 400 MW hydroelectric plant in the region of Huila (Colombia). More specifically, the first *Acción de grupo*, currently in the preliminary stage, was brought by around 1,140 residents of the municipality of Garzón, who claim that the construction of the plant would reduce their business revenues by 30%. A second action was brought, between August 2011 and December 2012, by residents and businesses/associations of five municipalities of Huila claiming damages related to the closing



of a bridge (Paso El Colegio). With regard to *acciones populares*, or class action lawsuits, in 2008 a suit was filed by a number of residents of the area demanding, among other things, that the environmental permit be suspended. Another *Acción popular* was brought by a number of fish farming companies over the alleged impact that filling the Quimbo basin would have on fishing in the Betania basin downstream from Quimbo. In February 2015, the Court ordered the precautionary suspension of filling operations until a number of specific requirements have been met.

The precautionary suspension was subsequently modified to permit filling to proceed, which began on June 30, 2015. However, on July 3, 2015 CAM (the regional environmental authority) issued a measure ("*medida preventiva*") again ordering filling operations to be suspended temporarily.

In view of the technical impossibility of suspending filling operations, on July 17, 2015 Emgesa received a notice modifying the precautionary measure to prohibit generation activities until ANLA (the national environmental authority) certifies that the company removed the biomass and forest waste from the Quimbo reservoir basin.

In September 2015, ANLA issued two reports which in general confirm that the company had fulfilled the requirements. Consequently, on September 21, 2015 the company asked the court to lift the precautionary suspension. Pending the ruling, as an energy emergency has been declared, the Ministry of Energy issued a decree authorizing Emgesa to begin generation.

On December 16, 2015, the Constitutional Court ruled that the presidential decree was unconstitutional and as from that date Emgesa suspended electricity generation.

On December 24, 2015, the *Ministerio Minas y Energía* and the AUNAP (the authority for agriculture and fishing) filed a joint motion asking the criminal court to authorize generation as a precautionary measure. On January 8, 2016, the court granted the precautionary measure requested by the Ministry and the AUNAP, authorizing the temporary and immediate resumption of generation at El Quimbo. The precautionary measure granted by the court would remain in force until the Huila court issued a ruling on the substance of the case, i.e. the revocation or upholding of the precautionary measure previously issued by the local administrative court.

With a decision of February 22, 2016, the Huila court issued a ruling allowing generation to continue for six months. The court ordered Emgesa to prepare a technical design that would ensure compliance with oxygen level requirements and to provide collateral of about 20,000,000,000 Colom-

bian pesos (about €5.5 million).

## Nivel de Tensión Uno proceedings - Colombia

This dispute involves an "*acción de grupo*" brought by Centro Médico de la Sabana hospital and other parties against Codensa seeking restitution of allegedly excess rates. The action is based upon the alleged failure of Codensa to apply a subsidized rate that they claim the users should have paid as *Tensión Uno* category users (voltage of less than 1 kV) and owners of infrastructure, as established in Resolution 82/2002, as amended by Resolution 97/2008. The suit is at a preliminary stage. The estimated value of the proceeding is about 337,626,840,000 Colombian pesos (about €96 million).

## SAPE (formerly Electrica) arbitration proceedings - Romania

On June 11, 2007, Enel SpA entered into a Privatization Agreement with SC Electrica SA for the privatization of Electrica Muntenia Sud ("*EMS*"). The accord provided for the sale to Enel of 67.5% of the Romanian company. In accordance with the unbundling rules, in September 2008 the distribution and electricity sales operations were transferred to two new companies, Enel Distributie Muntenia ("*EDM*") and Enel Energie Muntenia ("*EEM*"). In December 2009, Enel transferred the entire capital of the two companies to Enel Investment Holding BV ("*EIH*").

On July 5, 2013, EMS notified Enel SpA, EIH, EDM and EEM (limited to a number of claims) of a request for arbitration before the International Chamber of Commerce in Paris, claiming damages for alleged violations of specific clauses of the Privatization Agreement.

More specifically, the plaintiff claimed payment of penalties of about €800 million, plus interest and additional unspecified damages.

The proceeding is under way. A hearing was held in the first week of June 2015, with the arbitration ruling expected to be issued by the end of April 2016.

On September 29, 2014, SAPE notified Enel and Enel Investment Holding that it had submitted a further arbitration request to the International Court of Arbitration in Paris see-

king around €500 million (plus interest) in connection with the put option contained in the Privatization Agreement. The put option gives SAPE the right to sell a 13.57% stake in Enel Distributie Muntenia and Enel Energie Muntenia. The proceeding is under way and a hearing is expected to be held in July 2016.

## Gabčíkovo dispute - Slovakia

Slovenské elektrárne ("SE") is involved in a number of cases before the national courts concerning the 720 MW Gabčíkovo hydroelectric plant, which is administered by Vodohospodárska Výstavba Štátny Podnik ("VV") and whose operation and maintenance, as part of the privatization of SE in 2006, had been entrusted to SE for a period of 30 years under a management agreement (the VEG Operation Agreement).

Immediately after the closing of the privatization, the Public Procurement Office (PPO) filed suit with the Court of Bratislava seeking to void the VEG Operation Agreement on the basis of alleged violations of the regulations governing public tenders, qualifying the contract as a service contract and as such governed by those regulations. In November 2011 the court of first instance ruled in favor of SE, whereupon the PPO appealed the decision.

In parallel with the PPO action, VV also filed a number of suits, asking in particular for the voidance of the VEG Operation Agreement and for SE to pay VV the revenue from the sale of electricity generated by the plant since 2006.

SE considers the claims of VV to be unfounded and is contesting the various suits, which have been suspended pending a decision in the proceeding launched by the PPO.

On March 9, 2015, the decision of the appeals court overturned the ruling of the court of first instance and voided the contract. SE lodged an extraordinary appeal against that decision and the request for arbitration with the Vienna International Arbitral Centre ("VIAC") under the VEG Indemnity Agreement. Under that accord, which had been signed as part of the privatization between the National Property Fund of the Slovak Republic and SE, the latter is entitled to an indemnity in the event of the early termination of the VEG Operation Agreement for reasons not attributable to SE.

In April 2015, SE had also received a notice from VV demanding payment of about €490 million for alleged unjustified enrichment from the operation of the plant in 2006-2015. SE rejected the demand.

Finally, VV lodged a further suit with the District Court of Bratislava seeking restitution of the fees paid by VV to SE for the transfer of the assets in the privatization. This latter proceeding has also been suspended pending the decision in the proceeding undertaken by the PPO.

## Dispute between Energia XXI Energias Renováveis e Consultoria Limitada and Enel Green Power España

In 1999 Energia XXI filed for arbitration against MADE (now Enel Green Power España) for alleged losses incurred due to the early termination of an agency contract for the sale of wind generators and wind farms of Enel Green Power España in Portugal and Brazil. With its ruling of November 21, 2000, the arbitration board found that the termination of the contract by MADE was illegitimate and ordered it to pay: (i) legal costs; (ii) the fixed portion of the monthly fee for the period from July 21, 1999 (date of termination of contract) to October 9, 2000 (expiration date of the contract), equal to about €50,000; (iii) lost profits to be determined in respect of contracts for at least 15 MW of capacity. Following the arbitration ruling, two civil court cases began:

- > the first appeal was lodged by MADE with the *Tribunal Judicial de Primera Instancia* asking for the arbitration ruling to be voided. The case is still pending with the court of first instance following referral by the Court of Appeal (subsequently confirmed by the Supreme Court of Appeal on September 26, 2013), which granted Enel Green Power España's appeal of the admission of briefs. Following questioning of the witnesses of the two parties, the *Tribunal Judicial de Primera Instancia* moved to the judgement stage;
- > the second appeal was lodged by Energia XXI on May 9, 2006, with the Civil Court of Lisbon, with which Energia XXI asked for Enel Green Power España to be ordered to pay the amount determined in the arbitration ruling (the losses for which Energia XXI now puts at €546 million). Enel Green Power España considers the claim to be unfounded. Acting on a petition by Enel Green Power España, the court has so far suspended the case pending resolution of the first suit.

# CIS and Interporto Campano

On December 4, 2009 and August 4, 2010 Enel Green Power SpA signed, with Interporto Campano and Centro Ingrosso Sviluppo Campania Gianni Nappi SpA ("CIS"), respectively, a leasehold agreement with a term of more than nine years and a leasehold estate for the rooftops of the industrial sheds of the CIS and Interporto Campano in order to build and operate a photovoltaic plant. Two fires subsequently broke out at those sheds: the first occurred on April 22, 2011, during the construction of the plant, while the second broke out on March 26, 2012.

Following the fires, CIS undertook two arbitration proceedings, on November 3, 2012 and May 23, 2014, respectively, with the latter undertaken together with Interporto Campano.

In the arbitration ruling filed on January 31, 2015, the ruling of the arbitration board in the first proceeding found against the contractor as well as contributory negligence on the part of both CIS and Enel Green Power ("EGP"), ordering EGP to pay CIS about €2.5 million, equal to half of the damages originally admitted for indemnification. In the second arbitration proceeding, CIS and Interporto Campano sought the termination of the leasehold estate and the more-than-9-year lease as well as damages for alleged losses following breaches by EGP quantified in the amount of about €65 million, of which about €35 million for costs incurred in dismantling the photovoltaic plants. EGP asked for the suits to be dismissed and filed a counter-claim for damages of about €40 million. The proceeding is at a preliminary stage.

## Tax litigation in Brazil

In 1998, Ampla Energia e Serviços SA (Ampla) financed the acquisition of Coelce with the issue of bonds in the amount of \$350 million ("Fixed Rate Notes" - FRN) subscribed by its Panamanian subsidiary, which had been established to raise funds abroad. Under the special rules then in force, subject to maintaining the bond until 2008, the interest paid by Ampla to its subsidiary was not subject to withholding tax in Brazil.

However, the financial crisis of 1998 forced the Panamanian company to refinance itself with its Brazilian parent, which for that purpose obtained loans from local banks. The tax

authorities considered this financing to be the equivalent of the early extinguishment of the bond, with the consequent loss of entitlement to the exemption from withholding tax.

In December 2005, Ampla Energia e Serviços SA carried out a spin-off in favor of Ampla Investimentos e Serviços SA that involved the transfer of the residual FRN debt and the associated rights and obligations.

On November 6, 2012, the *Camara Superior de Recursos Fiscales* (the highest level of administrative courts) issued a ruling against Ampla, for which the company promptly asked that body for clarifications. On October 15, 2013, Ampla was notified of the denial of the request for clarification ("*Embargo de Declaración*"), thereby upholding the previous adverse decision. The company provided security for the debt and on June 27, 2014 continued litigation before the ordinary courts ("*Tribunal de Justiça*").

The amount involved in the dispute at December 31, 2015 was about €262 million.

In 2002, the State of Rio de Janeiro changed the deadlines for payment of the ICMS (*Imposto sobre Circulação de Mercadorias and Serviços*) by withholding agents (to the 10th, 20th and 30th of each month – *Ley Benedicta*). Owing to liquidity problems, between September 2002 and February 2005, Ampla Energia e Serviços continued to pay the ICMS in compliance with the previous system (the 5th day of the subsequent month). Despite an informal agreement, the Brazilian tax authorities issued an assessment for late payment of the ICMS ("*multa de demora*"). Ampla appealed the measure (the highest level of administrative courts), arguing that the penalties imposed were not due owing to the application of a number of amnesties granted between 2004 and 2006. On October 25, 2015, Ampla filed the ruling issued by the Supreme Court of Brasília (published on October 2, 2015 and not contested by the tax authorities), which in granting the appeal of Ampla ruled that the change in the deadlines for the payment of the ICMS was unconstitutional. The amount involved in the dispute at December 31, 2015 was about €66 million.

The States of Rio de Janeiro and Ceará issued a number of tax assessments against Ampla Energia e Serviços (for the years 1996-1999 and 2007-2012) and Companhia Energética do Ceará (for the years 2003, 2004 and 2006-2009), challenging the deduction of ICMS in relation to the purchase of certain non-current assets. In March 2015, new assessments were issued (for 2010 and for the period from 2012 to July 2014) with a value of about €8 million. The companies



challenged the assessments, arguing that they correctly deducted the tax and asserting that the assets, the purchase of which generated the ICMS, are intended for use in their electricity distribution activities. One of the administrative proceedings ended with a ruling partially in Ampla's favor, with a reduction in the amount due to the tax authorities. Ampla has appealed the remainder.

The amount involved in the disputes totaled approximately €47 million at December 31, 2015.

On November 4, 2014, the Brazilian tax authorities issued an assessment against Endesa Brasil SA (now Enel Brasil SA) alleging the failure to apply withholding tax to payments of allegedly higher dividends to non-resident recipients.

More specifically, in 2009, Endesa Brasil, as a result of the first-time application of the IFRS-IAS, had cancelled goodwill, recognizing the effects in equity, on the basis of the correct

application of the accounting standards it had adopted. The Brazilian tax authorities, however, asserted – during an audit – that the accounting treatment was incorrect and that the effects of the cancellation should have been recognized through profit or loss. As a result, the corresponding value (about €202 million) was reclassified as a payment of income to non-residents and, therefore, subject to withholding tax of 15%.

On December 2, 2014, the company appealed the initial ruling, arguing that its accounting treatment was correct. It should be noted that the accounting treatment adopted by the company was agreed with the external auditor and also confirmed by a specific legal opinion issued by a local firm specializing in corporate law.

The overall amount involved in the dispute at December 31, 2015 was about €54 million.

## 50. Events after the reporting period

### Integration with Enel Green Power

On January 11, 2016, the Extraordinary Shareholders' Meeting of Enel SpA ("Enel") approved the partial non-proportional spin-off of Enel Green Power SpA ("EGP") into Enel (the "Spin-Off"). Prior to the Enel Meeting on the same date, the Extraordinary Shareholders' Meeting of EGP also approved the Spin-Off. More specifically, the Extraordinary Shareholders' Meeting of Enel approved, without amendment or addition, the spin-off project, which envisages:

- > the assignment by EGP to Enel of the spun-off assets, essentially represented by: (i) the 100% stake held by EGP in Enel Green Power International, a Dutch holding company that holds investments in companies operating in the renewable energy sector in North, Central and South America, Europe, South Africa and India; and (ii) the assets, liabilities, contracts and other legal relationships associated with those investments; and
- > the retention by EGP of all remaining assets and liabilities other than those that are part of the spun-off assets (and thus, essentially, all Italian operations and a small number of remaining foreign investments).

Since the transaction involves a non-proportional spin-off, it envisages that:

- > shareholders of EGP other than Enel may exchange all the

shares they hold in EGP with Enel shares; and

- > Enel will exchange the shares corresponding to its stake in the spun-off assets with Enel shares, which will be immediately cancelled in accordance with Article 2504-ter, paragraph 2, and Article 2506-ter, paragraph 5, of the Italian Civil Code.

The Spin-Off will be carried out on the basis of an exchange ratio of 0.486 newly issued Enel shares for each EGP share tendered for exchange, with no cash adjustment. As a result, as of the effective date of the Spin-Off, EGP will reduce its share capital by an amount equal to the value of the spun-off assets, while Enel will increase its share capital to serve the Spin-Off. Enel will issue up to 770,588,712 new shares – which will rank for dividend *pari passu* and with a par value of €1.00 each – to be assigned to minority shareholders of EGP in accordance with the exchange ratio.

The shareholders of EGP that do not approve the Spin-Off will be entitled to exercise the right of withdrawal pursuant to Article 2437, paragraph 1, letter a) of the Italian Civil Code (the "Right of Withdrawal"), or the right to have their EGP shares purchased by Enel pursuant to Article 2506-bis, paragraph 4, of the Italian Civil Code (the "Right of Sale"). The Right of Withdrawal and the Right of Sale may be exercised at the unit settlement value for EGP shares, determined in accordance with Article 2437-ter, paragraph 3, of the Italian Civil Code, which is equal to €1.780 per EGP share. At the end of the offer period, those rights had been validly exer-

cised for 16,406,123 ordinary shares of EGP for an aggregate amount of €29.2 million. The shares represent around 0.33% of EGP's share capital. The total value of the shares involved is therefore below the threshold of €300 million, set as a condition for the completion of the Spin-Off.

The shares were offered on an optional pre-emption basis to the shareholders of EGP pursuant to Article 2437-*quater* of the Italian Civil Code, from February 19, 2016 to March 21, 2016 inclusive. Enel announced its intention to fully exercise the option right for the purchase of the shares it is entitled to, as well as to exercise the right of pre-emption for any shares unsold pursuant to Article 2437-*quater*, paragraph 3, of the Italian Civil Code. The effectiveness of the Right of Withdrawal and the Right of Sale and therefore the settlement procedure for the shares, as well as the completion of the offer on an optional pre-emption basis are subject to the completion of the Spin-Off, which is expected to occur by the end of the 1st Quarter of 2016.

The Spin-Off will take statutory effect as from the last of the registrations of the Spin-Off instrument with the Rome Company Register; as from the same date, transactions involving the spun-off assets will be recognized in the Enel financial statements, with the start of accounting and tax effects. Subject to the condition precedent specified above, the closing of the Spin-Off is scheduled to take place by the end of the 1st Quarter of 2016.

## Bond buy-back

On January 14, 2016, within the framework of its program to optimize its liability structure through active management of maturities and the cost of funding, Enel launched a non-binding voluntary offer to repurchase in cash up to a nominal €500,000,000 of two series of bonds previously issued by Enel itself. At the end of the offer period (January 20, 2016) Enel decided to exercise the option envisaged in the offer documentation to increase the original nominal amount involved in the buy-back and so decided to purchase:

- > a nominal €591,088,000 of bonds maturing on June 20, 2017, following the application of the allotment ratio of 92.5715%;
- > a nominal €158,919,000 of bonds maturing on June 12, 2018, following the application of the allotment ratio of 100%.

The settlement date of the offer was January 25, 2016.

## Framework agreement with Bank of China and SINOSURE

On January 20, 2016, Enel, Bank of China (a leader in the Chinese banking sector as well as the most internationalized and diversified bank in China), and the China Export & Credit Insurance Corporation ("SINOSURE") signed a non-binding framework agreement to promote the development by Enel Group companies, in particular Enel Green Power, of projects on a worldwide basis with the participation of Chinese companies acting as engineering, procurement and construction contractors and/or suppliers. Under the agreement, Bank of China will provide Enel and its subsidiaries with a credit line of up to \$1 billion backed by SINOSURE. The framework agreement, which provides the main terms and conditions of the facilities that can be granted, will remain in force for a period of five years, with the possibility of extension if mutually agreed by the parties.

## Enel's new corporate identity

On January 26, 2016, the Group's new corporate identity was unveiled at the headquarters of the Endesa subsidiary in Madrid. On the same occasion, the new logos of Enel Green Power and Endesa were also revealed within the context of the new identity.

The new identity represents the pursuit of the "Open Power" strategy announced last November in London on the occasion of Enel's Capital Markets Day. It is founded on openness as the keystone of the strategic and operational approach of the Group. More specifically, "Open Power" seeks to:

- > open access to electricity for more people;
- > open the world of energy to new technology;
- > open energy management to individuals;
- > open power to new uses;
- > open up to more partnerships.

The new brand strategy transmits the image of Enel as a modern, open, flexible, responsive utility capable of leading the energy transition. The Group has introduced a colorful new visual system – which includes the logos – that reflects the flexible and dynamic principles of "Open Power". The new visual identity and the new logo are composed of a rich

palette of color to reflect the variety of the energy spectrum, the multifaceted nature of a Group present in more than 30 countries and the growing diversification of the services we offer in a global energy system.

The brand renewal also included the unveiling of the new website [enel.com](http://enel.com), a site focused on users and access via mobile applications. During 2016, the updating of the Group's entire online presence will be completed.

## Start-up program in Israel

On February 10, 2016, Enel announced the launch of a technological support program for start-ups in Israel, a country with such a high concentration of innovative tech companies that it boasts its own version of Silicon Valley, called Silicon Wadi. As part of the program, Enel will create a company to support start-ups, acting as a business incubator headquartered in Tel Aviv. It is scheduled to open its doors in May. Each year, up to eight start-ups will be selected from among key local companies, which will be able to benefit from a customized support program in collaboration with Enel.

One of the program's objectives – in addition to developing individual start-ups – is to establish a presence in Israel's innovation ecosystem, one of the most advanced in the world, leveraging venture capital funds, universities and a collaboration with the Office of the "Chief Scientist" of Israel's Ministry of the Economy.

The support company will select the start-ups using public tenders for projects based on Enel's broad range of technological priorities. Once selected the start-ups will have access to Enel engineers and technology experts, who will help them develop their business and their technology, using company facilities for testing and leveraging the Group's commercial and technological experience. Each project will receive support for at least six months.

## Memorandum of understanding between architects and Enel Energia

On February 17, 2016, Enel Energia signed a memorandum of understanding with the National Council of Architects,

Planners, Landscape Architects and Conservators. The memorandum is intended to promote the energy upgrading of buildings and the architectural quality of the solutions. It also seeks to foster joint policies and actions and propose legislation to raise the quality of the installation of efficient technologies, ensure environmental benefits and dignity and, at the same time, generate savings for the public. The memorandum sets out a collaborative program to encourage and develop approaches to integration and cooperation. Enel Energia will provide Italian architects with permanent ongoing training initiatives – compliant with the rules governing life-long training of the National Council of Architects – in order to keep them up to date on innovation in efficient residential technologies, their characteristics, benefits and key installation and permitting issues. The underlying principle of the agreement is that training and research are priority strategic factors for growth and progress, and so it is necessary to invest in the sector in a manner adequate to the needs of the society and economy of local communities.

## Enel Green Power wins renewables tender in Peru

On February 18, 2016, Enel Green Power ("EGP"), acting through its subsidiary Enel Green Power Perú, was awarded the right to sign 20-year energy supply contracts for 126 MW wind power, 180 MW solar PV and 20 MW of hydro capacity following the renewables tender launched by the Peruvian government through the energy regulator OSINERGMIN. With 326 MW awarded in the tender, EGP will become by 2018 the main renewable player in Peru and the only company operating plants of three different renewable technologies in the country.

EGP will be investing about \$400 million in the construction of the renewables facilities, which are expected to enter into operation by 2018, in line with the investments outlined in the company's current strategic plan. The 20-year supply contracts awarded to EGP provide for the sale of specified volumes of energy generated by the plants. Nazca wind project will be built in the Marcona district, which is located in Peru's southern coastal area, more specifically in the Ica department, an area blessed by high level of wind resources. This project, with a total installed capacity of 126 MW, once up and running, will generate about 600 GWh per year, while avoiding the emission of around 370,000 metric tons of CO<sub>2</sub>.

into the atmosphere. The 180 MW Rubi photovoltaic project will be built in the Moquegua district, which is located in Peru's southern area, more specifically in the Moquegua department, an area which enjoys high levels of solar radiation. Once up and running, the solar facility will generate approximately 440 GWh per year, avoiding the emission of around 270,000 metric tons of CO<sub>2</sub> into the atmosphere. The hydro project Ayanunga, whose capacity amounts to an approximate 20 MW, will be built in the Monzón district, which is located in Peru's central area, more specifically in the Huánuco department. Once up and running, the hydro plant will generate annually about 140 GWh, while avoiding the emission of around 109,000 metric tons of CO<sub>2</sub> into the atmosphere.

## Disposal of Hydro Dolomiti Enel

On February 29, 2016, the sale by the subsidiary Enel Produzione entire 49% stake in Hydro Dolomiti Enel Srl ("HDE") to Fedaia Holdings Sàrl ("Fedaia"), a Luxembourg-based subsidiary of Macquarie European Infrastructure Fund 4 ("MEIF4"), was completed. The price for the sale was finalized at €335.4 million, in line with the agreement signed on November 13, 2015 between Enel Produzione and Fedaia. Enel Produzione's stake in HDE was sold to the Italian company Fedaia Investments Srl, which was designated as the purchaser by Fedaia and is also controlled by MEIF4. The completion of the transaction follows clearance from the EU Antitrust Authority, which was the final outstanding condition precedent provided for in the sale agreement.

# Report of the independent audit firm on the 2015 consolidated financial statements of the Enel Group

## Enel S.p.A.

Consolidated financial statements as of December 31, 2015

Independent auditors' report in accordance with articles 14  
and 16 of Legislative Decree n. 39, dated January 27, 2010  
*(Translation from the original italian text)*



**Independent auditors' report**  
**in accordance with articles 14 and 16 of Legislative Decree n. 39, dated January 27, 2010**  
**(Translation from the original Italian text)**

To the Shareholders of  
Enel S.p.A.

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of the Enel Group, which comprise the balance sheet as of December 31, 2015, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, and the statement of cash flow for the year then ended, and a summary of significant accounting policies and the notes to the financial statements.

*Directors' responsibility for the consolidated financial statements*

The Directors of Enel S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated February 28, 2005.

*Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11, paragraph 3 of Legislative Decree n. 39, dated January 27, 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Enel Group as of December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated February 28, 2005.

## **Report on other legal and regulatory requirements**

*Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure with the consolidated financial statements*

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated February 24, 1998, with the consolidated financial statements. The Directors of Enel S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of the Enel Group as of December 31, 2015.

Rome, April 13, 2016

Reconta Ernst & Young S.p.A.  
Signed by: Massimo delli Paoli, Partner

*This report has been translated into the English language solely for the convenience of international readers.*



# Consolidated income statement

Millions of euro

Notes

		2014		2013 restated <sup>(1)</sup>	
		of which with related parties		of which with related parties	
<b>Revenue</b>					
Revenue from sales and services	7.a	73,328	5,751	75,427	8,736
Other revenue and income	7.b	2,463	367	3,236	404
	[Subtotal]	75,791		78,663	
<b>Costs</b>					
Electricity, gas and fuel purchases	8.a	36,928	7,595	38,954	10,367
Services and other materials	8.b	17,179	2,440	16,698	2,561
Personnel	8.c	4,864		4,555	
Depreciation, amortization and impairment losses	8.d	12,670		6,951	
Other operating expenses	8.e	2,362	53	2,821	24
Capitalized costs	8.f	(1,524)		(1,434)	
	[Subtotal]	72,479		68,545	
<b>Net income/(expense) from commodity contracts measured at fair value</b>	9	(225)	46	(378)	78
<b>Operating income</b>		3,087		9,740	
Financial income from derivatives	10	2,078		756	
Other financial income	11	1,248	23	1,693	37
Financial expense from derivatives	10	916		1,210	
Other financial expense	11	5,540	28	4,043	33
Share of income/(losses) of equity investments accounted for using the equity method	12	(35)		217	
<b>Income before taxes</b>		(78)		7,153	
Income taxes	13	(850)		2,373	
<b>Net income from continuing operations</b>		772		4,780	
<b>Net income from discontinued operations</b>		-		-	
<b>Net income for the year (shareholders of the Parent Company and non-controlling interests)</b>		772		4,780	
Attributable to shareholders of the Parent Company		517		3,235	
Attributable to non-controlling interests		255		1,545	
Basic earnings/(loss) per share attributable to shareholders of the Parent Company (euro)	14	0.05		0.34	
Diluted earnings/(loss) per share attributable to shareholders of the Parent Company (euro)	14	0.05		0.34	
Basic earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)	14	0.05		0.34	
Diluted earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)	14	0.05		0.34	

(1) The consolidated income statement for 2013 has been restated to reflect the effects of the retrospective application of IFRS 11. For more details, please see note 4 below. In addition, the consolidated income statement has been modified to improve the presentation of costs for purchases of raw materials and electricity and the impact on profit or loss of derivatives. This entailed a number of reclassifications of the figures for 2013 in order to ensure comparability.

# Statement of consolidated comprehensive income

Millions of euro

Notes

		2014	2013 restated <sup>(1)</sup>
<b>Net income for the year</b>		<b>772</b>	<b>4,780</b>
<b>Other comprehensive income recyclable to profit or loss</b>			
Effective portion of change in the fair value of cash flow hedges		(347)	(190)
Share of the other comprehensive income of equity investments accounted for using the equity method		(13)	(18)
Change in the fair value of financial assets available for sale		(23)	(105)
Exchange rate differences		(717)	(3,192)
<b>Other comprehensive income not recyclable to profit or loss</b>			
Remeasurements of net defined benefit liabilities/(assets)		(307)	(188)
<b>Total other comprehensive income/(loss) for the period</b>	31	<b>(1,407)</b>	<b>(3,693)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>(635)</b>	<b>1,087</b>
<b>Attributable to:</b>			
- shareholders of the Parent Company		(205)	1,514
- non-controlling interests		(430)	(427)

(1) The consolidated income statement for 2013 has been restated to reflect the effects of the retrospective application of IFRS 11. For more details, please see note 4 below.

# Consolidated balance sheet

Millions of euro

Notes

<b>ASSETS</b>		<b>at Dec. 31, 2014</b>	at Dec. 31, 2013 restated <sup>(1)</sup>		at Jan. 1, 2013 restated	
			<i>of which with related parties</i>	<i>of which with related parties</i>	<i>of which with related parties</i>	
<b>Non-current assets</b>						
Property, plant and equipment	15	73,089		80,263		82,189
Investment property	16	143		181		197
Intangible assets	17	16,612		18,055		19,950
Goodwill	18	14,027		14,967		15,809
Deferred tax assets	19	7,067		6,186		6,767
Equity investments accounted for using the equity method	20	872		1,372		1,951
Derivatives	21	1,335		444		953
Other non-current financial assets	22	3,645		5,970	4	4,588
Other non-current assets	23	885		817	15	781
	[Total]	<b>117,675</b>		<b>128,255</b>		<b>133,185</b>
<b>Current assets</b>						
Inventories	24	3,334		3,555		3,290
Trade receivables	25	12,022	1,220	11,378	1,278	11,555
Tax receivables	26	1,547		1,709		1,603
Derivatives	21	5,500		2,690		2,224
Other current financial assets	27	3,984		5,607	2	7,650
Other current assets	28	2,706	142	2,557	161	2,281
Cash and cash equivalents	29	13,088		7,873		9,726
	[Total]	<b>42,181</b>		<b>35,369</b>		<b>38,329</b>
<b>Assets classified as held for sale</b>	30	<b>6,778</b>		<b>241</b>		<b>317</b>
<b>TOTAL ASSETS</b>		<b>166,634</b>		<b>163,865</b>		<b>171,831</b>

(1) The consolidated balance sheet at December 31, 2013 has been restated to reflect the effects of the retrospective application of IFRS 11, of amendments of IAS 32 and of the completion of the allocation of the purchase price of a number of business combinations carried out by the Renewable Energy Division in 2013. For more details, please see note 4 below. In addition, the balance sheet has been modified to improve the presentation of receivables and payables in respect of construction contract and the balance sheet impact of derivatives. This entailed a number of reclassifications of the figures at December 31, 2013, in order to ensure comparability.

Millions of euro

Notes

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>at Dec. 31, 2014</b>	at Dec. 31, 2013 restated <sup>(1)</sup>		at Jan. 1, 2013 restated	
			<i>of which with related parties</i>	<i>of which with related parties</i>	<i>of which with related parties</i>	
<b>Equity attributable to the shareholders of the Parent Company</b>						
Share capital		9,403		9,403		9,403
Reserves		3,362		7,084		8,747
Retained earnings (loss carried forward)		18,741		19,454		17,625
	[Total]	<b>31,506</b>		<b>35,941</b>		<b>35,775</b>
<b>Non-controlling interests</b>		<b>19,639</b>		<b>16,891</b>		<b>16,303</b>
<b>Total shareholders' equity</b>	31	<b>51,145</b>		<b>52,832</b>		<b>52,078</b>
<b>Non-current liabilities</b>						
Long-term borrowings	32	48,655		50,905		55,733
Post-employment and other employee benefits	33	3,687		3,677		4,521
Provisions for risks and charges	34	4,051		6,504		7,256
Deferred tax liabilities	19	9,220		10,795		11,658
Derivatives	21	2,441	24	2,216		2,487
Other non-current liabilities	35	1,464	2	1,259	2	1,143
	[Total]	<b>69,518</b>		<b>75,356</b>		<b>82,798</b>
<b>Current liabilities</b>						
Short-term borrowings	32	3,252		2,484		3,968
Current portion of long-term borrowings	32	5,125		4,658		4,023
Provisions for risk and charges	34	1,187		1,467		1,291
Trade payables	36	13,419	3,159	12,363	3,708	13,089
Income tax payable		253		286		354
Derivatives	21	5,441		2,940		2,534
Other current financial liabilities	37	1,177		1,100	4	1,105
Other current liabilities	39	10,827	3	10,359	24	10,584
	[Total]	<b>40,681</b>		<b>35,657</b>		<b>36,948</b>
<b>Liabilities included in disposal groups classified as held for sale</b>	30	<b>5,290</b>		<b>20</b>		<b>7</b>
<b>Total liabilities</b>		<b>115,489</b>		<b>111,033</b>		<b>119,753</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>166,634</b>		<b>163,865</b>		<b>171,831</b>

(1) The consolidated balance sheet at December 31, 2013, has been restated to reflect the effects of the retrospective application of IFRS 11, of amendments of IAS 32 and of the completion of the allocation of the purchase price of a number of business combinations carried out by the Renewable Energy Division in 2013. For more details, please see note 4 below.

# Statement of changes in consolidated shareholders' equity

Share capital and reserves attributable to the shareholders of the Parent Company

	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve from translation of financial statements in currencies other than euro	Reserve from cash flow hedge	Reserve from measurement of financial instruments AFS
<b>At January 1, 2013</b>	<b>9,403</b>	<b>5,292</b>	<b>1,881</b>	<b>2,262</b>	<b>92</b>	<b>(1,482)</b>	<b>229</b>
Effect of application of IFRS 11	-	-	-	-	11	42	-
<b>At January 1, 2013 restated</b>	<b>9,403</b>	<b>5,292</b>	<b>1,881</b>	<b>2,262</b>	<b>103</b>	<b>(1,440)</b>	<b>229</b>
Dividends and interim dividends	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	98	-	-
Comprehensive income for the period	-	-	-	-	(1,285)	(152)	(101)
of which:							
- other comprehensive income/(loss) for the period	-	-	-	-	(1,285)	(152)	(101)
- net income/(loss) for the period	-	-	-	-	-	-	-
<b>At December 31, 2013 restated</b>	<b>9,403</b>	<b>5,292</b>	<b>1,881</b>	<b>2,262</b>	<b>(1,084)</b>	<b>(1,592)</b>	<b>128</b>
Dividends and interim dividends	-	-	-	-	-	-	-
Transactions with non-controlling interests	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	6	21	-
Comprehensive income for the period	-	-	-	-	(243)	(235)	(23)
of which:							
- other comprehensive income/(loss) for the period	-	-	-	-	(243)	(235)	(23)
- net income/(loss) for the period	-	-	-	-	-	-	-
<b>At December 31, 2014</b>	<b>9,403</b>	<b>5,292</b>	<b>1,881</b>	<b>2,262</b>	<b>(1,321)</b>	<b>(1,806)</b>	<b>105</b>

Reserve from disposal of equity interests without loss of control	Reserve from transactions in non-controlling interests	Reserve from equity investments accounted for using the equity method	Reserve for employee benefits	Retained earnings and loss carried forward	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total shareholders' equity
<b>749</b>	<b>78</b>	<b>8</b>	<b>(362)</b>	<b>17,625</b>	<b>35,775</b>	<b>16,312</b>	<b>52,087</b>
-	-	(53)	-	-	-	(9)	(9)
<b>749</b>	<b>78</b>	<b>(45)</b>	<b>(362)</b>	<b>17,625</b>	<b>35,775</b>	<b>16,303</b>	<b>52,078</b>
-	-	-	-	(1,410)	<b>(1,410)</b>	<b>(829)</b>	<b>(2,239)</b>
(28)	6	-	4	4	<b>(14)</b>	<b>1,740</b>	<b>1,726</b>
-	(22)	-	-	-	<b>76</b>	<b>104</b>	<b>180</b>
-	-	(13)	(170)	3,235	<b>1,514</b>	<b>(427)</b>	<b>1,087</b>
-	-	(13)	(170)		<b>(1,721)</b>	<b>(1,972)</b>	<b>(3,693)</b>
-	-	-	-	3,235	<b>3,235</b>	<b>1,545</b>	<b>4,780</b>
<b>721</b>	<b>62</b>	<b>(58)</b>	<b>(528)</b>	<b>19,454</b>	<b>35,941</b>	<b>16,891</b>	<b>52,832</b>
-	-	-	-	(1,222)	<b>(1,222)</b>	<b>(1,541)</b>	<b>(2,763)</b>
(2,831)	(255)	-	-	-	<b>(3,086)</b>	<b>5,385</b>	<b>2,299</b>
(3)	-	3	59	(8)	<b>78</b>	<b>(666)</b>	<b>(588)</b>
-	-	(19)	(202)	517	<b>(205)</b>	<b>(430)</b>	<b>(635)</b>
-	-	(19)	(202)	-	<b>(722)</b>	<b>(685)</b>	<b>(1,407)</b>
-	-	-	-	517	<b>517</b>	<b>255</b>	<b>772</b>
<b>(2,113)</b>	<b>(193)</b>	<b>(74)</b>	<b>(671)</b>	<b>18,741</b>	<b>31,506</b>	<b>19,639</b>	<b>51,145</b>

# Consolidated statement of cash flows

Millions of euro

Notes

	2014	2013 restated <sup>(1)</sup>	
		of which with related parties	of which with related parties
<b>Income before taxes for the year</b>	<b>(78)</b>		<b>7,154</b>
<b>Adjustments for:</b>			
Amortization and impairment losses of intangible assets	1,709		1,598
Depreciation and impairment losses of property, plant and equipment	10,212		4,698
Exchange rate adjustments of foreign currency assets and liabilities (including cash and cash equivalents)	1,285		(264)
Accruals to provisions	911		1,023
Net financial (income)/expense	2,580		2,322
(Gains)/Losses from disposals and other non-monetary items	(720)		(92)
Cash flow from operating activities before changes in net current assets	15,899		16,439
Increase/(Decrease) in provisions	(1,740)		(1,889)
(Increase)/Decrease in inventories	(62)		(266)
(Increase)/Decrease in trade receivables	(1,440)	58	(531)
(Increase)/Decrease in financial and non-financial assets/liabilities	212	39	(602)
Increase/(Decrease) in trade payables	1,315	(549)	(871)
Interest income and other financial income collected	1,300	23	1,275
Interest expense and other financial expense paid	(4,030)	28	(3,695)
Income taxes paid	(1,396)		(2,606)
<b>Cash flows from operating activities (a)</b>	<b>10,058</b>		<b>7,254</b>
- of which discontinued operations	-		-
Investments in property, plant and equipment	(6,021)		(5,311)
Investments in intangible assets	(680)		(610)
Investments in entities (or business units) less cash and cash equivalents acquired	(73)		(206)
Disposals of entities (or business units) less cash and cash equivalents sold	312		1,409
(Increase)/Decrease in other investing activities	325		615
<b>Cash flows from investing/disinvesting activities (b)</b>	<b>(6,137)</b>		<b>(4,103)</b>
- of which discontinued operations	-		-
Financial debt (new long-term borrowing)	4,582		5,336
Financial debt (repayments and other net changes)	(2,400)		(9,619)
Collections/(Payments) for sale/(acquisition) of non-controlling interests	1,977		1,814
Incidental expenses in disposal of equity interests without loss of control	(50)		(85)
Dividends and interim dividends paid	(2,573)		(2,044)
<b>Cash flows from financing activities (c)</b>	<b>1,536</b>		<b>(4,598)</b>
- of which discontinued operations	-		-
<b>Impact of exchange rate fluctuations on cash and cash equivalents (d)</b>	<b>(102)</b>		<b>(421)</b>
<b>Increase/(Decrease) in cash and cash equivalents (a+b+c+d)</b>	<b>5,355</b>		<b>(1,868)</b>
Cash and cash equivalents at the beginning of the year <sup>(2)</sup>	7,900		9,768
Cash and cash equivalents at the end of the year <sup>(3)</sup>	13,255		7,900

(1) The consolidated statement of cash flows has been restated to reflect the retrospective application of IFRS 11. For more details, please see note 4 below.

(2) Of which cash and cash equivalents equal to €7,873 million at January 1, 2014 (€9,726 million at January 1, 2013), short-term securities equal to €17 million at January 1, 2014 (€42 million at January 1, 2013) and cash and cash equivalents pertaining to assets held for sale equal to €10 million at January 1, 2014 (none at January 1, 2013).

(3) Of which cash and cash equivalents equal to €13,088 million at December 31, 2014 (€7,873 million at December 31, 2013), short-term securities equal to €140 million at December 31, 2014 (€17 million at December 31, 2013) and cash and cash equivalents pertaining to assets held for sale in the amount of €27 million at December 31, 2014 (€10 million at December 31, 2013).

# Notes to the consolidated financial statements

## 1

### Form and content of the financial statements

Enel SpA has its registered office in Viale Regina Margherita 137, Rome, Italy, and since 1999 has been listed on the Milan stock exchange. Enel is an energy multinational and is one of the world's leading integrated operators in the electricity and gas industries, with a special focus on Europe and Latin America.

The consolidated financial statements for the period ended December 31, 2014 comprise the financial statements of Enel SpA, its subsidiaries and Group holdings in associates and joint ventures, as well as the Group's share of the assets, liabilities, costs and revenue of joint operations ("the Group"). A list of the subsidiaries, associates, joint operations and joint ventures included in the scope of consolidation is attached.

The consolidated financial statements were approved for publication by the Board on March 18, 2015.

These financial statements have been audited by Reconta Ernst & Young SpA.

### Basis of presentation

The consolidated financial statements for the year ended December 31, 2014 have been prepared in accordance with international accounting standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS) issued by the International Accounting Standards Board (IASB), the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), recognized in the European Union pursuant to Regulation (EC) 1606/2002 and in effect as of the close of the year. All of these standards and interpretations are hereinafter referred to as the "IFRS-EU".

The financial statements have also been prepared in conformity with measures issued in implementation of Article 9, paragraph 3, of Legislative Decree 38 of February 28, 2005.

The consolidated financial statements consist of the consolidated income statement, the statement of consolidated comprehensive income, the consolidated balance sheet, the statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows and the related notes.

The assets and liabilities reported in the consolidated balance sheet are classified on a "current/non-current basis", with separate reporting of assets held for sale and liabilities included in disposal groups held for sale. Current assets, which include cash and cash equivalents, are assets that are intended to be realized, sold or consumed during the normal operating cycle of the Group or in the 12 months following the balance-sheet date; current liabilities are liabilities that are expected to be settled during the normal operating cycle of the Group or within the 12 months following the close of the financial year.

The consolidated income statement is classified on the basis of the nature of costs, with separate reporting of net income/(loss) from continuing operations and net income/(loss) from discontinued operations attributable to shareholders of the Parent Company and to non-controlling interests.

The indirect method is used for the consolidated statement of cash flows, with separate reporting of any cash flows by operating, investing and financing activities associated with discontinued operations.

The income statement, the balance sheet and the statement of cash flows report transactions with related parties, the definition of which is given in the next section below.

The consolidated financial statements have been prepared on a going concern basis using the cost method, with the exception of items measured at fair value in accordance with IFRS-EU, as explained in the measurement bases applied to each individual item, and of non-current assets and disposal groups classified as held for sale, which are measured at the lower of their carrying amount and fair value less costs to sell.



The consolidated financial statements are presented in euro, the functional currency of the Parent Company Enel SpA. All figures are shown in millions of euro unless stated otherwise. The consolidated financial statements provide comparative information in respect of the previous period.

In addition, the Group has presented balance sheet figures at January 1, 2013, owing to the retrospective application of IFRS 11 and the amendments of IAS 32, as discussed in note 4 "Restatement of comparative disclosures".

## 2

# Accounting policies and measurement criteria

## Use of estimates and management judgment

Preparing the consolidated financial statements under IFRS-EU requires management to take decisions and make estimates and assumptions that may impact the value of revenues, costs, assets and liabilities and the related disclosures concerning the items involved as well as contingent assets and liabilities at the balance sheet date. The estimates and management's judgments are based on previous experience and other factors considered reasonable in the circumstances. They are formulated when the carrying amount of assets and liabilities is not easily determined from other sources. The actual results may therefore differ from these estimates. The estimates and assumptions are periodically revised and the effects of any changes are reflected through profit or loss if they only involve that period. If the revision involves both the current and future periods, the change is recognized in the period in which the revision is made and in the related future periods.

In order to enhance understanding of the financial statements, the following sections examine the main items affected by the use of estimates and the cases that reflect management judgments to a significant degree, underscoring the main assumptions used by managers in measuring these items in compliance with the IFRS-EU. The critical element of such valuations is the use of assumptions and professional judgments concerning issues that are by their very nature uncertain.

Changes in the conditions underlying the assumptions and

judgments could have a substantial impact on future results.

## Use of estimates

### Revenue recognition

Revenue from sales to customers is recognized on an accruals basis. Revenue from sales of electricity and gas to retail customers is recognized at the time the electricity or gas is supplied and includes, in addition to amounts invoiced on the basis of periodic meter readings (pertaining to the year), an estimate of the value of electricity and gas distributed during the period but not yet invoiced, which is equal to the difference between the amount of electricity and gas delivered to the distribution network and that invoiced in the period, taking account of any network losses. Revenue between the date of the last meter reading and the end of the year is based on estimates of the daily consumption of individual customers calculated on the basis of their consumption record, adjusted to take account of weather conditions and other factors that may affect estimated consumption.

### Pension plans and other post-employment benefits

Some of the Group's employees participate in pension plans offering benefits based on their wage history and years of service.

Certain employees are also eligible for other post-employment benefit schemes.

The expenses and liabilities of such plans are calculated on the basis of estimates carried out by consulting actuaries, who use a combination of statistical and actuarial elements in their calculations, including statistical data on past years and forecasts of future costs.

Other components of the estimation that are considered include mortality and withdrawal rates as well as assumptions concerning future developments in discount rates, the rate of wage increases, the inflation rate and trends in the cost of medical care.

These estimates can differ significantly from actual developments owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in the effective cost of medical care.

Such differences can have a substantial impact on the quantification of pension costs and other related expenses.

### Recoverability of non-current assets

The carrying amount of non-current assets is reviewed periodically and wherever circumstances or events suggest

that a review is necessary. Goodwill is reviewed at least annually. Such assessments of the recoverable amount of assets are carried out in accordance with the provisions of IAS 36, as described in greater detail in note 18 below.

In particular, the recoverable amount of non-current assets and goodwill is based on estimates and assumptions used in order to determine the amount of cash flow and the discount rates applied. Where the value of a group of non-current assets is considered to be impaired, it is written down to its recoverable value, as estimated on the basis of the use of the assets and their possible future disposal, in accordance with the Company's most recent approved plan.

The estimation of the factors used in the calculation of the recoverable amount is discussed in more detail in the section "Impairment of non-financial assets". Nevertheless, possible changes in the estimation factors on which the calculation of such values is performed could generate different recoverable values. The analysis of each group of non-current assets is unique and requires management to use estimates and assumptions considered prudent and reasonable in the specific circumstances.

#### **Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012**

Law 134 of August 7, 2012 containing "urgent measures for growth" (published in the *Gazzetta Ufficiale* of August 11, 2012), introduced a sweeping overhaul of the rules governing hydroelectric concessions. Among its various provisions, the law establishes that five years before the expiration of a major hydroelectric water diversion concession and in cases of lapse, relinquishment or revocation, where there is no prevailing public interest for a different use of the water, incompatible with its use for hydroelectric generation, the competent public entity shall organize a public call for tender for the award for consideration of the concession for a period ranging from 20 to a maximum of 30 years.

In order to ensure operational continuity, the law also governs the methods of transfer ownership of the business unit necessary to operate the concession, including all legal relationships relating to the concession, from the outgoing concession holder to the new concession holder, in exchange for payment of a price to be determined in negotiations between the departing concession holder and the grantor agency, taking due account of the following elements:

- > for intake and governing works, penstocks and outflow channels, which under the consolidated law governing waters and electrical plants are to be relinquished free of

charge (Article 25 of Royal Decree 1775 of December 11, 1933), the revalued cost less government capital grants, also revalued, received by the concession holder for the construction of such works, depreciated for ordinary wear and tear;

- > for other property, plant and equipment, the market value, meaning replacement value, reduced by estimated depreciation for ordinary wear and tear.

While acknowledging that the new regulations introduce important changes as to the transfer of ownership of the business unit with regard to the operation of the hydroelectric concession, the practical application of these principles faces difficulties, given the uncertainties that do not permit the formulation of a reliable estimate of the value that can be recovered at the end of existing concessions (residual value).

Accordingly, management has decided to not attempt to formulate an estimate of residual value.

The fact that the legislation requires the new concession holder to make a payment to the departing concession holder prompted management to review the depreciation schedules for assets classified as to be relinquished free of charge prior to Law 134/2012 (until the year ended on December 31, 2011, given that the assets were to be relinquished free of charge, the depreciation period was equal to the closest date between the term of the concession and the end of the useful life of the individual asset), calculating depreciation no longer over the term of the concession but, if longer, over the economic and technical life of the individual assets. If additional information becomes available to enable the calculation of residual value, the carrying amounts of the assets involved will be adjusted prospectively.

#### **Determining the fair value of financial instruments**

The fair value of financial instruments is determined on the basis of prices directly observable in the market, where available, or, for unlisted financial instruments, using specific valuation techniques (mainly based on present value) that maximize the use of observable market inputs. In rare circumstances where this is not possible, the inputs are estimated by management taking due account of the characteristics of the instruments being measured.

In accordance with IFRS 13, the Group includes a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk, using the method discussed in note 45. Changes in the assumptions made in estimating the input

data could have an impact on the fair value recognized for those instruments.

### **Recovery of deferred tax assets**

At December 31, 2014, the consolidated financial statements report deferred tax assets in respect of tax losses to be reversed in subsequent years and income components whose deductibility is deferred in an amount whose recovery is considered by management to be highly probable.

The recoverability of such assets is subject to the achievement of future profits sufficient to absorb such tax losses and to use the benefits of the other deferred tax assets.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. However, where the Group should become aware that it is unable to recover all or part of recognized tax assets in future years, the consequent adjustment would be taken to the income statement in the year in which this circumstance arises.

### **Litigation**

The Enel Group is involved in various legal disputes regarding the generation, transport and distribution of electricity. In view of the nature of such litigation, it is not always objectively possible to predict the outcome of such disputes, which in some cases could be unfavorable.

Provisions have been recognized to cover all significant liabilities for cases in which legal counsel feels an adverse outcome is likely and a reasonable estimate of the amount of the loss can be made.

### **Decommissioning and site restoration**

In calculating liabilities in respect of decommissioning and site restoration costs, especially for the decommissioning of nuclear power plants and the storage of waste fuel and other radioactive materials, the estimation of the future cost is a critical process, given that the costs will be incurred over a very long span of time, estimated at up to 100 years.

The obligation, based on financial and engineering assumptions, is calculated by discounting the expected future cash flows that the Group considers it will have to pay for the decommissioning operation.

The discount rate used to determine the present value of the liability is the pre-tax risk-free rate and is based on the economic parameters of the country in which the plant is located.

That liability is quantified by management on the basis of

the technology existing at the measurement date and is reviewed each year, taking account of developments in decommissioning and site restoration technology, as well as the ongoing evolution of the legislative framework governing health and environmental protection.

Subsequently, the value of the obligation is adjusted to reflect the passage of time and any changes in estimates.

### **Other**

In addition to the items listed above, the use of estimates regarded share-based payment plans and the fair value measurement of assets acquired and liabilities assumed in business combinations. For these items, the estimates and assumptions are discussed in the notes on the accounting policies adopted.

## **Management judgments**

### **Identification of cash generating units (CGUs)**

In application of IAS 36 "*Impairment of assets*", the goodwill recognized in the consolidated financial statements of the Group as a result of business combinations has been allocated to individual or groups of CGUs that will benefit from the combination. A CGU is the smallest group of assets that generates largely independent cash inflows.

In identifying such CGUs, management took account of the specific nature of its assets and the business in which it is involved (geographical area, business area, regulatory framework, etc.), verifying that the cash flows of a given group of assets were closely independent and largely autonomous of those associated with other assets (or groups of assets).

The assets of each CGU were also identified on the basis of the manner in which management manages and monitors those assets within the business model adopted, which until December 31, 2014, was consistent with the organizational model adopted in 2012, as discussed in the report on operations.

In particular, the CGUs identified in the Iberia and Latin America Division are represented by groups of electricity/gas production, distribution and sales assets in the Iberian peninsula and certain countries in Latin America that are managed on a unified basis by the Group, including in financial matters. The CGUs identified in the Generation and Energy Management Division and the Sales Division are represented by assets resulting from business combinations involving gas regasification operations in Italy and the domestic retail gas market or by uniform groups of assets operating in the sale or generation of electricity. The CGUs identified in the Renewable Energy Division are represented

(with a number of minor exceptions made in Italy and Spain to reflect the Group organizational model) by the group of assets exclusively associated with the generation of electricity from renewable energy resources located in geographical areas considered uniform on the basis of regulatory and contractual aspects and characterized by a high degree of interdependence of business processes and substantial integration in the same geographical area. The CGUs identified in the International Division are represented by electricity generation and distribution/sales assets identified with business combinations and which constitute, by geographical area and business, individual units generating independent cash flows. The CGUs identified by management to which the goodwill recognized in these consolidated financial statements has been allocated are indicated in the section on intangible assets, to which the reader is invited to refer.

The number and scope of the CGUs are updated systematically to reflect the impact of new business combinations and reorganizations carried out by the Group, and to take account of external factors that could impact the ability of groups of assets to generate independent cash flows.

#### **Determination of the existence of control**

Under the provisions of IFRS 10, which the Group has adopted since January 1, 2014, with retrospective application as from January 1, 2013, control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power is defined as the current ability to direct the relevant activities of the investee based on existing substantive rights.

The existence of control does not depend solely on ownership of a majority shareholding, but rather it arises from substantive rights that each investor holds over the investee. Consequently, management must use its judgment in assessing whether specific situations determine substantive rights that give the Group the power to direct the relevant activities of the investee in order to affect its returns.

For the purpose of assessing control, management analyses all facts and circumstances including any agreements with other investors, rights arising from other contractual arrangements and potential voting rights (call options, warrants, put options granted to non-controlling shareholders, etc.). These other facts and circumstances could be especially significant in such assessment when the Group holds less than a majority of voting rights, or similar rights, in the investee. Following such analysis of the existence of control, which had already been done in previous years under the provisions of

the then-applicable IAS 27, the Group consolidated certain companies (Emgesa and Codensa) on a line-by-line basis even though it did not hold more than half of the voting rights. That approach was maintained in the assessment carried out in application of IFRS 10 on the basis of the requirements discussed above, as detailed in the attachment "Subsidiaries, associates and other significant equity investments of the Enel Group at December 31, 2014" to these financial statements.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of control.

#### **Determination of the existence of joint control and of the type of joint arrangement**

Under the provisions of the new IFRS 11, which the Group has adopted as from January 1, 2014, with retrospective application as from January 1, 2013, a joint arrangement is an agreement where two, or more parties, have joint control. Joint control exists when the decisions over the relevant activities require the unanimous consent of at least two parties of a joint arrangement.

A joint arrangement can be configured as a joint venture or a joint operation. Joint ventures are joint arrangements whereby the parties that have joint control have rights to the net assets of the arrangement. Conversely, joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement.

In order to determine the existence of the joint control and the type of joint arrangement, management must apply judgment and assess its rights and obligations arising from the arrangement. For this purpose, the management considers the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

Following that analysis, on first-time application, the Group has considered its interests in SF Energy and Asociación Nuclear Ascó-Vandellós II as joint arrangements. Subsequently, as from January 1, 2014 and following changes in the shareholders' agreements between the partners, which gave rise to a change in the governance arrangements of SE Hydropower, producing a situation of joint control, the latter investee has also been treated as a joint arrangement. For the sake of completeness, we report that all other companies classified as under joint control in accordance with the earlier IAS 31 have been reclassified as joint ventures under IFRS 11.

The Group re-assesses whether or not it has joint control if facts and circumstances indicate that changes have occurred in one or more of the elements considered in verifying the existence of joint control and the type of the joint arrangement.

#### **Determination of the existence of significant influence over an associate**

Associated companies are those in which the Group exercises significant influence, i.e. the power to participate in the financial and operating policy decisions of the investee but not exercise control or joint control over those policies. In general, it is presumed that the Group has a significant influence when it has an ownership interest of 20% or more. In order to determine the existence of significant influence, management must apply judgment and consider all facts and circumstances.

The Group re-assesses whether or not it has significant influence if facts and circumstances indicate that there are changes to one or more of the elements considered in verifying the existence of significant influence.

#### **Application of IFRIC 12 “Service concession arrangements” to concessions**

IFRIC 12 “Service concession arrangements” applies to “public-to-private” service concession arrangements, which can be defined as contracts under which the grantor transfers to a concession holder the right to deliver public services that give access to the main public facilities for a specified period of time in return for managing the infrastructure used to deliver those public services.

More specifically, IFRIC 12 applies to public-to-private service concession arrangements if the grantor:

- > controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- > controls – through ownership or otherwise – any significant residual interest in the infrastructure at the end of the term of the arrangement.

In assessing the applicability of these provisions for the Group, management carefully analyzed existing concessions.

On the basis of that analysis, the provisions of IFRIC 12 are applicable to some of the infrastructure of a number of companies in the Iberia and Latin America Division that operate in Brazil (Ampla and Coelce).

## **Related parties**

Related parties are mainly parties that have the same control-

ling entity as Enel SpA, companies that directly or indirectly through one or more intermediaries control, are controlled or are subject to the joint control of Enel SpA and in which the latter has a holding that enables it to exercise a significant influence. Related parties also include entities that operate post-employment benefit plans for employees of Enel SpA or its associates (specifically, the FOPEN and FONDENEL pension funds), as well as the members of the Boards of Auditors, and their immediate family, and the key management personnel, and their immediate family, of Enel SpA and its subsidiaries. Key management personnel comprises management personnel who have the power and direct or indirect responsibility for the planning, management and control of the activities of the company. They include directors.

## **Subsidiaries**

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed/has rights to variable returns deriving from its involvement and has the ability, through the exercise of its power over the investee, to affect its returns. Power is defined as when the investor has existing rights that give it the current ability to direct the relevant activities.

The figures of the subsidiaries are consolidated on a full line-by-line basis as from the date control is acquired until such control ceases.

## **Consolidation procedures**

The financial statements of subsidiaries used to prepare the consolidated financial statements were prepared at December 31, 2014 in accordance with the accounting policies adopted by the Parent Company.

If a subsidiary uses different accounting policies from those adopted in preparing the consolidated financial statements for similar transactions and facts in similar circumstances, appropriate adjustments are made to ensure conformity with Group accounting policies.

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements, respectively, from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Profit or loss and the other components of other comprehensive income are attributed to the owners of the Parent and non-controlling interests, even if this results in a loss for non-controlling interests.

All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full.

Changes in ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions, with the carrying amounts of the controlling and non-controlling interests adjusted to reflect changes in their interests in the subsidiary. Any difference between the fair value of the consideration paid or received and the corresponding fraction of equity acquired or sold is recognized in consolidated equity.

When the Group ceases to have control over a subsidiary, any interest retained in the entity is remeasured to its fair value, recognized through profit or loss, at the date when control is lost. In addition, any amounts previously recognized in other comprehensive income in respect of the former subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities.

## Investments in joint arrangements and associates

A joint venture is an entity over which the Group exercises joint control and has rights to the net assets of the arrangement. Joint control is the sharing of control of an arrangement, whereby decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over the investee.

The Group's investments in its joint ventures and associates are accounted for using the equity method.

Under the equity method, these investments are initially recognized at cost and any goodwill arising from the difference between the cost of the investment and the Group's share of the net fair value of the investee's identifiable assets and liabilities at the acquisition date is included in the carrying amount of the investment. Goodwill is not individually tested for impairment.

After the acquisition date, their carrying amount is adjusted to recognize changes in the Group's share of profit or loss of the associate or joint venture. The OCI of such investees is presented as specific items of the Group's OCI.

Distributions received from joint venture and associates reduce the carrying amount of the investments.

Profits and losses resulting from transactions between the

Group and the associates or joint ventures are eliminated to the extent of the interest in the associate or joint venture.

The financial statements of the associates or joint ventures are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in an associate or joint venture. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying amount.

If the investment ceases to be an associate or a joint venture, the Group recognizes any retained investment at its fair value, through profit or loss. Any amounts previously recognized in other comprehensive income in respect of the former associate or joint venture are accounted for as if the Group had directly disposed of the related assets or liabilities.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to exercise a significant influence or joint control, the Group continues to apply the equity method and the share of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction is accounted for as if the Group had directly disposed of the related assets or liabilities.

When a portion of an investment in an associate or joint venture meets the criteria to be classified as held for sale, any retained portion of an investment in the associate or joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion classified as held for sale takes place.

Joint operations are joint arrangements whereby the parties that have joint control have rights to the assets and obligations for the liabilities relating to the arrangement. For each joint operation, the Group recognized assets, liabilities, costs and revenue on the basis of the provisions of the arrangement rather than the participating interest held.

## Translation of foreign currency items

Transactions in currencies other than the functional currency are recognized in these financial statements at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency other than the functional currency are later adjusted using the balance sheet exchange rate. Non-monetary assets and liabilities in foreign currency stated at cost are



translated using the exchange rate prevailing on the date of initial recognition of the transaction. Non-monetary assets and liabilities in foreign currency stated at fair value are translated using the exchange rate prevailing on the date that value was determined. Any exchange rate differences are recognized through profit or loss.

## Translation of financial statements denominated in a foreign currency

For the purposes of the consolidated financial statements, all profits/losses, assets and liabilities are stated in euro, which is the functional currency of the Parent Company, Enel SpA.

In order to prepare the consolidated financial statements, the financial statements of consolidated companies in functional currencies other than the presentation currency used in the consolidated financial statements are translated into euro by applying the relevant period-end exchange rate to the assets and liabilities, including goodwill and consolidation adjustments, and the average exchange rate for the period, which approximates the exchange rates prevailing at the date of the respective transactions, to the income statement items.

Any resulting exchange rate gains or losses are recognized as a separate component of equity in a special reserve. The gains and losses are recognized proportionately in the income statement on the disposal (partial or total) of the subsidiary.

## Business combinations

Business combinations initiated before January 1, 2010 and completed within that financial year are recognized on the basis of IFRS 3 (2004).

Such business combinations were recognized using the purchase method, where the purchase cost is equal to the fair value at the date of the exchange of the assets acquired and the liabilities incurred or assumed, plus costs directly attributable to the acquisition. This cost was allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values. Any positive difference between the cost of the acquisition and the fair value of the net assets acquired pertaining to the shareholders of the Parent Company was recognized as goodwill. Any negative difference was recognized in profit or loss. The value of non-controlling interests was determined in proportion to the interest held by minority shareholders

in the net assets. In the case of business combinations achieved in stages, at the date of acquisition any adjustment to the fair value of the net assets acquired previously was recognized in equity; the amount of goodwill was determined for each transaction separately based on the fair values of the acquiree's net assets at the date of each exchange transaction.

Business combinations carried out as from January 1, 2010 are recognized on the basis of IFRS 3 (2008), which is referred to as IFRS 3 (Revised) hereafter.

More specifically, business combinations are recognized using the acquisition method, where the purchase cost (the consideration transferred) is equal to the fair value at the purchase date of the assets acquired and the liabilities incurred or assumed, as well as any equity instruments issued by the purchaser. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Costs directly attributable to the acquisition are recognized through profit or loss.

This cost is allocated by recognizing the assets, liabilities and identifiable contingent liabilities of the acquired company at their fair values as at the acquisition date. Any positive difference between the price paid, measured at fair value as at the acquisition date, plus the value of any non-controlling interests, and the net value of the identifiable assets and liabilities of the acquiree measured at fair value is recognized as goodwill. Any negative difference is recognized in profit or loss.

The value of non-controlling interests is determined either in proportion to the interest held by minority shareholders in the net identifiable assets of the acquiree or at their fair value as at the acquisition date.

In the case of business combinations achieved in stages, at the date of acquisition of control the previously held equity interest in the acquiree is remeasured to fair value and any positive or negative difference is recognized in profit or loss. Any contingent consideration is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration classified as an asset or a liability that is a financial instrument within the scope of IAS 39 are recognized either in profit or loss or in other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS-EU. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

If the fair values of the assets, liabilities and contingent lia-

bilities can only be calculated on a provisional basis, the business combination is recognized using such provisional values. Any adjustments resulting from the completion of the measurement process are recognized within twelve months of the date of acquisition, restating comparative figures.

## Fair value measurement

For all fair value measurements and disclosures of fair value, that are either required or permitted by international accounting standards, the Group applies IFRS 13.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).

The fair value measurement assumes that the transaction to sell an asset or transfer a liability takes place in the principal market, i.e. the market with the greatest volume and level of activity for the asset or liability. In the absence of a principal market, it is assumed that the transaction takes place in the most advantageous market to which the Group has access, i.e. the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Market participants are independent, knowledgeable sellers and buyers who are able to enter into a transaction for the asset or the liability and who are motivated but not forced or otherwise compelled to do so.

When measuring fair value, the Group takes into account the characteristics of the asset or liability, in particular:

- > for a non-financial asset, a fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use;
- > for liabilities and own equity instruments, the fair value reflects the effect of non-performance risk, i.e. the risk that an entity will not fulfill an obligation;
- > in the case of groups of financial assets and financial liabilities with offsetting positions in market risk or credit risk, managed on the basis of an entity's net exposure to such risks, it is permitted to measure fair value on a net basis.

In measuring the fair value of assets and liabilities, the Group uses valuation techniques that are appropriate in the

circumstances and for which sufficient data are available, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

## Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes expenses directly attributable to bringing the asset to the location and condition necessary for its intended use.

The cost is also increased by the present value of the estimate of the costs of decommissioning and restoring the site on which the asset is located where there is a legal or constructive obligation to do so. The corresponding liability is recognized under provisions for risks and charges. The accounting treatment of changes in the estimate of these costs, the passage of time and the discount rate is discussed under "Provisions for risks and charges".

Property, plant and equipment transferred from customers to connect them to the electricity distribution network and/or to provide them with ongoing access to a supply of electricity is initially recognized at its fair value at the time of the transfer.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, i.e. an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the assets themselves. Borrowing costs associated with the purchase/construction of assets that do not meet such requirement are expensed in the period in which they are incurred.

Certain assets that were revalued at the IFRS-EU transition date or in previous periods are recognized at their fair value, which is considered to be their deemed cost at the revaluation date.

Where individual items of major components of property, plant and equipment have different useful lives, the components are recognized and depreciated separately.

Subsequent costs are recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits associated with the cost incurred to replace a part of the asset will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as incurred.

The cost of replacing part or all of an asset is recognized as an increase in the carrying amount of the asset and is depreciated over its useful life; the net carrying amount of the



replaced unit is derecognized through profit or loss.

Property, plant and equipment, net of its residual value, is depreciated on a straight-line basis over its estimated useful life, which is reviewed annually and, if appropriate, adjusted prospectively. Depreciation begins when the asset is available for use.

The estimated useful life of the main items of property, plant and equipment is as follows

Civil buildings	20-70 years
Buildings and civil works incorporated in plants	20-85 years
Hydroelectric power plants:	
- penstock	20-75 years
- mechanical and electrical machinery	24-40 years
- other fixed hydraulic works	25-100 years
Thermal power plants:	
- boilers and auxiliary components	19-46 years
- gas turbine components	10-40 years
- mechanical and electrical machinery	10-45 years
- other fixed hydraulic works	10-66 years
Nuclear power plants	60 years
Geothermal power plants:	
- cooling towers	10-20 years
- turbines and generators	20-30 years
- turbine parts in contact with fluid	10-25 years
- mechanical and electrical machinery	20-22 years
Wind power plants:	
- towers	20-25 years
- turbines and generators	20-25 years
- mechanical and electrical machinery	15-25 years
Solar power plants:	
- mechanical and electrical machinery	15-40 years
Public and artistic lighting:	
- public lighting installations	18-25 years
- artistic lighting installations	20-25 years
Transmission lines	20-50 years
Transformer stations	10-60 years
Distribution plant:	
- high-voltage lines	30-50 years
- primary transformer stations	10-60 years
- low- and medium-voltage lines	23-50 years
Meters:	
- electromechanical meters	2-27 years
- electricity balance measurement equipment	2-35 years
- electronic meters	10-20 years

The useful life of leasehold improvements is determined on the basis of the term of the lease or, if shorter, on the duration of the benefits produced by the improvements themselves.

Land is not depreciated as it has an undetermined useful life.

Assets recognized under property, plant and equipment are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net carrying amount of the derecognized assets.

## Assets to be relinquished free of charge

The Group's plants include assets to be relinquished free of charge at the end of the concessions. These mainly regard major water diversion works and the public lands used for the operation of the thermal power plants. For plants in Italy, the concessions terminate in 2020 and 2040 (respectively, for plants located in the Autonomous Province of Trento and in the Autonomous Province of Bolzano) and 2029 (for all others). Within the regulatory framework in force until 2011, if the concessions are not renewed, at those dates all intake and governing works, penstocks, outflow channels and other assets on public lands were to be relinquished free of charge to the government in good operating condition. Accordingly, depreciation on assets to be relinquished was calculated over the shorter of the term of the concession and the remaining useful life of the assets.

In the wake of the legislative changes introduced with Law 134 of August 7, 2012, the assets previously classified as assets "to be relinquished free of charge" connected with the hydroelectric water diversion concessions are now considered in the same manner as other categories of "property, plant and equipment" and are therefore depreciated over the economic and technical life of the asset (where this exceeds the term of the concession), as discussed in the section above on the "Depreciable value of certain elements of Italian hydroelectric plants subsequent to enactment of Law 134/2012", which you are invited to consult for more details.

In accordance with Spanish Laws 29/1985 and 46/1999, hydroelectric power stations in Spanish territory operate under administrative concessions at the end of which the plants will be returned to the government in good operating condition. The terms of the concessions extend up to 2067.

A number of generation companies that operate in Argentina, Brazil and Mexico hold administrative concessions with similar conditions to those applied under the Spanish concession system. These concessions will expire in the period between 2013 and 2088.

As regards the distribution of electricity, the Group is a concession holder in Italy for this service. The concession, granted by the Ministry for Economic Development, was issued free of charge and terminates on December 31, 2030. If the concession is not renewed upon expiry, the grantor is required to pay an indemnity. The amount of the indemnity will be determined by agreement of the parties using appropriate valuation methods, based on both the balance sheet value of the assets themselves and their profitability.

In determining the indemnity, such profitability will be represented by the present value of future cash flows. The infrastructure serving the concessions is owned and available to the concession holder. It is recognized under "Property, plant and equipment" and is depreciated over the useful lives of the assets.

The Enel Group also operates under administrative concessions for the distribution of electricity in other countries (including Spain and Romania). These concessions give the right to build and operate distribution networks for an indefinite period of time.

## Infrastructure within the scope of IFRIC 12 "Service concession arrangements"

Under a "public-to-private" service concession arrangement within the scope of IFRIC 12 "Service concession arrangements", the operator acts as a service provider and, in accordance with the terms specified in the contract, it constructs/ upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for the period of the concession.

The Group, as operator, does not recognize the infrastructure within the scope of IFRIC 12 as property, plant and equipment and it accounts for revenue and costs relating to construction/upgrade services as discussed in the section "Construction contracts". In particular, the Group measures the consideration received or receivable for the construction/upgrading of infrastructure at its fair value and, depending on the characteristics of the service concession arrangement, it recognizes:

- > a financial asset, if the operator has an unconditional contractual right to receive cash or another financial asset from the grantor (or from a third party at the direction of the grantor) and the grantor has little discretion to avoid payment. In this case, the grantor contractually guarantees to pay to the operator specified or determinable amounts or the shortfall between the amounts re-

ceived from the users of the public service and specified or determinable amounts (defined by the contract), and such payments are not dependent on the usage of the infrastructure; and/or

- > an intangible asset, if the operator receives the right (a license) to charge users of the public service provided. In such a case, the operator does not have an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service.

If the Group (as operator) has a contractual right to receive an intangible asset (the right to charge users of the public service), borrowing costs are capitalized using the criteria specified in the section "Property, plant and equipment".

During the operating phase of concession arrangements, the Group accounts for operating service payments in accordance with criteria specified in the section "Revenue".

## Leases

The Group holds property, plant and equipment and intangible assets for its various activities under lease contracts.

These contracts are analyzed on the basis of the circumstances and indicators set out in IAS 17 in order to determine whether they constitute operating leases or finance leases.

A finance lease is defined as a lease that transfers substantially all the risks and rewards incidental to ownership of the related asset to the lessee. All leases that do not meet the definition of a finance lease are classified as operating leases.

On initial recognition assets held under finance leases are recognized as property, plant and equipment and the related liability is recognized under long-term borrowings. At inception date finance leases are recognized at the lower of the fair value of the leased asset and the present value of the minimum lease payments due, including the payment required to exercise any purchase option.

The assets are depreciated on the basis of their useful lives. If it is not reasonably certain that the Group will acquire the assets at the end of the lease, they are depreciated over the shorter of the lease term and the useful life of the assets.

Payment made under operating lease are recognized as a cost on a straight-line basis over the lease term.

Although not formally designated as lease agreements, certain types of contract can be considered as such if the fulfillment of the arrangement is dependent on the use of a specific asset (or assets) and if the arrangement conveys a right to use such assets.

## Investment property

Investment property consists of the Group's real estate held to earn rentals and/or for capital appreciation rather than for use in the production or supply of goods and services.

Investment property is measured at acquisition cost less any accumulated depreciation and any accumulated impairment losses.

Investment property, excluding land, is depreciated on a straight-line basis over the useful lives of the assets.

Impairment losses are determined on the basis of criteria discussed below.

The breakdown of the fair value of investment property is detailed in note 45 "Assets measured at fair value". Investment property is derecognized either at the time of its disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets.

## Intangible assets

Intangible assets are identifiable assets without physical substance controlled by the entity and capable of generating future economic benefits. They are measured at purchase or internal development cost when it is probable that the use of such assets will generate future economic benefits and the related cost can be reliably determined.

The cost includes any directly attributable expenses necessary to make the assets ready for their intended use.

Internal development costs are recognized as an intangible asset when both the Group is reasonably assured of the technical feasibility of completing the intangible asset and that the asset will generate future economic benefits and it has intention and ability to complete the asset and use or sell it.

Research costs are recognized as expenses.

Intangible assets with a finite useful life are reported net of accumulated amortization and any impairment losses.

Amortization is calculated on a straight-line basis over the item's estimated useful life, which is reassessed at least annually; any changes in amortization policies are reflected on a prospective basis. Amortization commences when the asset is ready for use. Consequently, intangible assets not yet available for use are not amortized, but are tested for impairment at least annually.

Intangible assets have a definite useful life, with the exception of a number of concessions and goodwill.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is accounted for as a change in accounting estimate.

Intangible assets are derecognized either at the time of their disposal or when no future economic benefit is expected from their use or disposal. Any gain or loss, recognized through profit or loss, is calculated as the difference between the net consideration received in the disposal, where present, and the net book value of the derecognized assets.

The estimated useful life of the main intangible assets, distinguishing between internally generated and acquired assets, is as follows:

Development costs:	
- internally generated	3-5 years
- acquired	3-5 years
Industrial patents and intellectual property rights:	
- internally generated	5 years
- acquired	3-25 years
Concessions, licenses, trademarks and similar rights:	
- internally generated	-
- acquired	2-60 years
Other:	
- internally generated	2-5 years
- acquired	3-40 years

## Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, as measured at fair value at the acquisition date, over the net fair value of the acquiree's identifiable assets and liabilities. After initial recognition, goodwill is not amortized, but is tested for recoverability at least annually using the criteria discussed in the section "Impairment of non-financial assets". For the purpose of impairment testing, goodwill is allocated, from the acquisition date, to each of the identified cash generating units.

Goodwill relating to equity investments in associates and joint ventures is included in their carrying amount.

## Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is evidence of impairment. If such

evidence exists, the recoverable amount of any involved asset is estimated. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

In order to determine the recoverable amount of property, plant and equipment, intangible assets and goodwill, the Group generally adopts the value-in-use criterion.

The value in use is represented by the present value of the estimated future cash flows generated by the asset in question. Value in use is determined by discounting estimated future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and the specific risks of the asset.

The future cash flows used to determine value in use are based on the most recent business plan, approved by the management, containing forecasts for volumes, revenue, operating costs and investments.

These projections cover the next five years. Consequently, cash flows related to subsequent periods are determined on the basis of a long-term growth rate that does not exceed the average long-term growth rate for the particular sector and country.

The recoverable amount of assets that do not generate independent cash flows is determined based on the cash generating unit to which the asset belongs.

If the carrying amount of an asset or of a cash generating unit to which it is allocated is higher than its recoverable amount, an impairment loss is recognized in profit or loss under "Depreciation, amortization and impairment losses".

Impairment losses of cash generating units are firstly charged against the carrying amount of any goodwill attributed to it and then against the other assets, in proportion to their carrying amount.

If the reasons for a previously recognized impairment loss no longer obtain, the carrying amount of the asset is restored through profit or loss, under "Depreciation, amortization and impairment losses", in an amount that shall not exceed the net carrying amount that the asset would have had if the impairment loss had not been recognized and depreciation or amortization had been performed.

The recoverable amount of goodwill and intangible assets with an indefinite useful life is tested for recoverability annually or more frequently if there is evidence suggesting that the assets may be impaired. The original value of goodwill is not restored even if in subsequent years the reasons for the impairment no longer obtain.

If certain specific identified assets owned by the Group are impacted by adverse economic or operating conditions that undermine their capacity to contribute to the generation of

cash flows, they can be isolated from the rest of the assets of the CGU, undergo separate analysis of their recoverability and impaired where necessary.

## Inventories

Inventories are measured at the lower of cost and net realizable value except for inventories involved in trading activities, which are measured at fair value with recognition through profit or loss.

Cost is determined on the basis of average weighted cost, which includes related ancillary charges. Net estimated realizable value is the estimated normal selling price net of estimated costs to sell or, where applicable, replacement cost.

For the portion of inventories held to discharge sales that have already been made, the net realizable value is determined on the basis of the amount established in the contract of sale.

Inventories include environmental certificates (green certificates, energy efficiency certificates and CO<sub>2</sub> emissions allowances) that were not utilized for compliance in the reporting period. As regards CO<sub>2</sub> emissions allowances, inventories are allocated between the trading portfolio and the compliance portfolio, i.e. those used for compliance with greenhouse gas emissions requirements. Within the latter, CO<sub>2</sub> emissions allowances are allocated to sub-portfolios on the basis of the compliance year to which they have been assigned.

Inventories also include nuclear fuel stocks, the use of which is determined on the basis of the electricity generated.

Materials and other consumables (including energy commodities) held for use in production are not written down if it is expected that the final product in which they will be incorporated will be sold at a price sufficient to enable recovery of the cost incurred.

## Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and contract costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period. Under this criteria, revenue, expenses and profit are attributed in proportion to the work completed.

When it is probable that total contract costs will exceed total contract revenue, the expected loss on the construction contract is recognized as an expense immediately, re-

regardless of the stage of completion of the contract.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

The stage of completion of the contract in progress is determined, using the cost-to-cost method, as a ratio between costs incurred for work performed to the reporting date and the estimated total contract costs. In addition to initial amount of revenue agreed in the contract, contract revenue includes any payments in respect of variations, claims and incentives, to the extent that it is probable that they will result in revenue and can be reliably measured.

The amount due from customers for construction contract is presented as an asset; the amount due to customers for construction contract is presented as a liability.

## Financial instruments

Financial instruments are recognized and measured in accordance with IAS 32 and IAS 39.

A financial asset or liability is recognized in the consolidated financial statements when, and only when, the Group becomes party to the contractual provisions of the instrument (the trade date).

Financial instruments are classified as follows under IAS 39:

- > financial assets and liabilities at fair value through profit or loss;
- > held-to-maturity financial assets;
- > loans and receivables;
- > available-for-sale financial assets;
- > financial liabilities measured at amortized cost.

### Financial assets and liabilities at fair value through profit or loss

This category includes: securities, equity investments in entities other than subsidiaries, associates and joint ventures and investment funds held for trading or designated as at fair value through profit or loss at the time of initial recognition.

Financial instruments at fair value through profit or loss are financial assets and liabilities:

- > classified as held for trading because acquired or incurred principally for the purpose of selling or repurchasing at short term;
- > designated as such upon initial recognition, under the option allowed by IAS 39 (the fair value option).

Such financial assets and liabilities are initially recognized at fair value with subsequent gains and losses from changes in

their fair value recognized through profit or loss.

### Held-to-maturity financial assets

This category comprises non-derivative financial assets with fixed or determinable payments and fixed maturity, quoted on an active market and not representing equity investments, for which the Group has the positive intention and ability to hold until maturity. They are initially recognized at fair value, including any transaction costs, and subsequently measured at amortized cost using the effective interest method.

### Loans and receivables

This category mainly includes trade receivables and other financial receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments, that are not quoted on an active market, other than those the Group intends to sell immediately or in the short-term (which are classified as held for trading) and those that the Group, on initial recognition, designates as either at fair value through profit or loss or available for sale. Such assets are initially recognized at fair value, adjusted for any transaction costs, and are subsequently measured at amortized cost using the effective interest method, without discounting unless material.

### Available-for-sale financial assets

This category mainly includes listed debt securities not classified as held to maturity and equity investments in other entities (unless classified as "designated as at fair value through profit or loss"). Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at fair value through profit or loss.

These financial instruments are measured at fair value with changes in fair value recognized in other comprehensive income.

At the time of sale, or when a financial asset available for sale becomes an investment in a subsidiary as a result of successive purchases, the cumulative gains and losses previously recognized in equity are reversed to the income statement.

When the fair value cannot be determined reliably, these assets are recognized at cost adjusted for any impairment losses.

### Impairment of financial assets

At each reporting date, all financial assets classified as loans

and receivables (including trade receivables), held to maturity or available for sale, are assessed in order to determine if there is objective evidence that an asset or a group of financial assets is impaired.

An impairment loss is recognized if and only if such evidence exists as a result of one or more events that occurred after initial recognition and that have an impact on the future cash flows of the asset and which can be estimated reliably. Objective evidence of an impairment loss includes observable data about, for example:

- > significant financial difficulty of the issuer or obligor;
- > a breach of contract, such as a default or delinquency in interest or principal payments;
- > evidence that the borrower will enter bankruptcy or other form of financial reorganization;
- > a measurable decrease in estimated future cash flows.

Losses that are expected to arise as a result of future events are not recognized.

For financial assets classified as loans and receivables or held to maturity, once an impairment loss has been identified, its amount is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted at the original effective interest rate. This amount is recognized in profit or loss.

The carrying amount of trade receivable is reduced through use of an allowance account.

If the amount of a past impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the impairment is reversed through profit or loss.

Further factors are considered in case of impairment of available for sale equity investments, such as significant adverse changes in the technological, market, economic or legal environment.

A significant or prolonged decline in fair value constitutes objective evidence of impairment and, therefore, the fair value loss previously recognized in other comprehensive income is reclassified from equity to income.

The amount of the cumulative loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized in profit or loss. An impairment loss on an available for sale equity investment cannot be reversed.

If there is objective evidence of impairment for unquoted equity instruments measured at cost because fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash

flows, discounted at the current rate of interest for a similar financial asset. Reversal of impairment are not permitted in these cases either.

The amount of the impairment loss on a debt instrument classified as available for sale, to be reclassified from equity, is the cumulative fair value loss recognized in other comprehensive income. Such impairment loss is reversed through profit or loss if the fair value of the debt instrument objectively increases as a result of an event that occurred after the impairment loss was recognized.

## Cash and cash equivalents

This category includes deposits that are available on demand or at very short term, as well as highly liquid short-term financial investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

In addition, for the purpose of the consolidated statement of cash flows, cash and cash equivalents do not include bank overdrafts at period-end.

## Financial liabilities at amortized cost

This category mainly includes borrowings, trade payables, finance lease obligations and debt instruments.

Financial liabilities other than derivatives are recognized when the Group becomes a party to the contractual clauses of the instrument and are initially measured at fair value adjusted for directly attributable transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

## Derivative financial instruments

A derivative is a financial instrument or another contract:

- > whose value changes in response to the changes in an underlying variable such as an interest rate, commodity or security price, foreign exchange rate, a price or rate index, a credit rating or other variable;
- > that requires no initial net investment, or an initial net investment that is smaller than would be required for a contract with a similar response to changes in market factors;
- > that is settled at a future date.

Derivative instruments are classified as financial assets or liabilities depending on whether their fair value is positive or negative and they are classified as "held for trading" and measured at fair value through profit or loss, except for those designated as effective hedging instruments.

For more details about hedge accounting, please see note 43 "Derivatives and hedge accounting".



All derivatives held for trading are classified as current assets or liabilities.

Derivatives not held for trading purposes but measured at fair value through profit or loss since they do not qualify for hedge accounting and derivatives designated as effective hedging instruments are classified as current or non-current on the basis of their maturity date and the Group's intention to hold the financial instrument until maturity or not.

## Embedded derivatives

An embedded derivative is a derivative included in a "combined" contract (the so-called "hybrid instrument") that contains another non-derivative contract (the so-called host contract) and gives rise to some or all of the combined contract's cash flows.

The main Group contracts that may contain embedded derivatives are contracts to buy or sell non-financial items with clauses or options that affect the contract price, volume or maturity.

Such contracts, which are not financial instruments to be measured at fair value, are analyzed in order to identify any embedded derivative, which are to be separated and measured at fair value. This analysis is performed when the Group becomes party to the contract or when the contract is renegotiated in a manner that significantly changes the original associated cash flows. Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- > host contract is not a financial instrument measured at fair value through profit or loss;
- > the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- > a separate contract with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are separated from the host contract are recognized in the consolidated financial statements at fair value with changes recognized through profit or loss (except when the embedded derivative is part of a designated hedging relationship).

## Contracts to buy or sell non-financial items

In general, contracts to buy or sell non-financial items that are entered into and continue to be held for receipt or delivery, in accordance with the Group's normal expected purchase, sale or usage requirements, do not fall within the scope of IAS 39 and are then recognized in accordance with the normal accounting treatment of such transactions (the "own use exemption").

Such contracts are recognized as derivatives and, as a consequence, at fair value through profit or loss only if:

- > they can be settled net in cash; and
- > they are not entered into in accordance with the Group's expected purchase, sale or usage requirements.

A contract to buy or sell non-financial items is classified as a "normal purchase or sale" if it is entered into:

- > for the purpose of physical delivery;
- > in accordance with the Group's expected purchase, sale or usage requirements.

The Group analyzes all contracts to buy or sell non-financial assets, with a specific focus on forward purchases and sales of electricity and energy commodities, in order to determine if they should be classified and treated in accordance with IAS 39 or if they have been entered into for "own use".

## Derecognition of financial assets and liabilities

Financial assets are derecognized whenever one of the following conditions is met:

- > the contractual right to receive the cash flows associated with the asset expires;
- > the Group has transferred substantially all the risks and rewards associated with the asset, transferring its rights to receive the cash flows of the asset or assuming a contractual obligation to pay such cash flows to one or more beneficiaries under a contract that meets the requirements established by IAS 39 (the "pass through test");
- > the Group has not transferred or retained substantially all the risks and rewards associated with the asset but has transferred control over the asset.

Financial liabilities are derecognized when they are extinguished, i.e. when the contractual obligation has been discharged, cancelled or expired.

## Offsetting financial assets and liabilities

The Group offsets financial assets and liabilities when:

- > there is a legally enforceable right to set off the recognized amounts; and
- > it has the intention of either settling on a net basis, or realizing the asset and settling the liability simultaneously.

## Post-employment and other employee benefits

Liabilities related to employee benefits paid upon or after ceasing employment in connection with defined benefit plans or other long-term benefits accrued during the employment period are determined separately for each plan,

using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the balance sheet date (the projected unit credit method). More specifically, the present value of the defined benefit obligation is calculated by using a discount rate determined on the basis of market yields at the end of the reporting period on high-quality corporate bonds.

The liability is recognized on an accruals basis over the vesting period of the related rights. These appraisals are performed by independent actuaries.

If the value of plan assets exceeds the present value of the related defined benefit obligation, the surplus (up to the limit of any cap) is recognized as an asset.

As regards the liabilities (assets) of defined benefit plans, the cumulative actuarial gains and losses from the actuarial measurement of the liabilities, the return on the plan assets (net of the associated interest income) and the effect of the asset ceiling (net of the associated interest income) are recognized in other comprehensive income when they occur. For other long-term benefits, the related actuarial gains and losses are recognized through profit or loss.

In the event of a change being made to an existing defined benefit plan or the introduction of a new plan, any past service cost is recognized immediately in profit or loss.

Employees are also enrolled in defined contribution plans under which the Group pays fixed contributions to a separate entity (a fund) and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Such plans are usually aimed to supplement pension benefits due to employees post-employment. The related costs are recognized in income statement on the basis of the amount of contributions paid in the period.

## Termination benefits

Liabilities for benefits due to employees for the early termination of the employment relationship, both as a result of a decision by the Group or an employee's decision to accept voluntary redundancy in exchange for these benefits, are recognized at the earlier of the following dates:

- > when the Group can no longer withdraw its offer of benefits; and
- > when the Group recognizes a cost for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

The liabilities are measured on the basis of the nature of

the employee benefits. More specifically, when the benefits represent an enhancement of other post-employment benefits, the associated liability is measured in accordance with the rules governing that type of benefit. Otherwise, if the termination benefits due to employees are expected to be settled wholly before 12 months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for short-term employee benefits; if they are not expected to be settled wholly before 12 months after the end of the annual reporting period, the entity measures the liability in accordance with the requirements for other long-term employee benefits.

## Share-based payments

Share-based payments made in consideration for services provided are recognized as personnel costs. These services are measured at the fair value of the instruments awarded at the grant date.

Share-based payments may involve equity-settled (stock options plans) or cash-settled (restricted share units incentive plans) instruments.

### Stock option plans

The cost of services rendered by employees and remunerated through stock option plans is determined on the basis of the fair value of the options granted to employees at the grant date, measured using the Cox-Rubinstein pricing model. This model takes into consideration all the characteristics of the option (option term, price and exercise conditions, etc.), as well as the Enel share price at the grant date, the volatility of the stock and the yield curve at the grant date consistent with the expected life of the plan.

The cost is recognized in the income statement, against an equity reserve, over the vesting period considering the best estimate possible of the number of options that will become exercisable.

### Restricted share unit incentive plans

The cost of services rendered by employees and remunerated through restricted share unit (RSU) incentive plans is determined based on the fair value of the RSU granted to employees, in relation to the vesting of the right to receive the benefit. The fair value of the RSU is measured using the Monte Carlo pricing model. This model takes into consideration all the characteristics of the RSU (term, exercise conditions, etc.), as well as the price and volatility of Enel shares over the vesting period.



The cost is recognized in the income statement, with recognition of a specific liability, over the vesting period, adjusting the fair value periodically, considering the best estimate possible of the number of RSU that will become exercisable.

## Provisions for risks and charges

Provisions are recognized where there is a legal or constructive obligation as a result of a past event at the end of the reporting period, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated. Where the impact is not immaterial, the accruals are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market assessment of the time value of money and, if applicable, the risks specific to the liability. If the provision is discounted, the periodic adjustment of the present value for the time factor is recognized as a financial expense.

When the Group expects some or all of the expenditure required to extinguish a liability will be reimbursed by a third party, the reimbursement is recognized as a separate asset if such reimbursement is virtually certain.

Where the liability relates to plant decommissioning and/or site restoration, the initial recognition of the provision is made against the related asset and the expense is then recognized in profit or loss through the depreciation of the asset involved.

Where the liability regards the treatment and storage of nuclear waste and other radioactive materials, the provision is recognized against the related operating costs.

In the case of contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it (onerous contracts), the Group recognizes a provision as the lower of the costs of fulfilling the obligation that exceed the economic benefits expected to be received under the contract and any compensation or penalty arising from failure to fulfil it.

Changes in estimates of accruals to the provision are recognized in the income statement in the period in which the changes occur, with the exception of those in respect of the costs of decommissioning, dismantling and/or restoration resulting from changes in the timetable and costs necessary to extinguish the obligation or from a change in the discount rate. These changes increase or decrease the value of the related assets and are taken to the income statement through depreciation. Where they increase the value of

the assets, it is also determined whether the new carrying amount of the assets is fully recoverable. If this is not the case, a loss equal to the unrecoverable amount is recognized in the income statement.

Decreases in estimates are recognized up to the carrying amount of the assets. Any excess is recognized immediately in the income statement.

For more information on the estimation criteria adopted in determining liabilities for plant dismantling and site restoration, especially those associated with nuclear power plants or the storage of waste fuel and other radioactive materials, please see the section on the use of estimates.

## Government grants

Government grants, including non-monetary grants at fair value, are recognized where there is reasonable assurance that they will be received and that the Group will comply with all conditions attaching to them as set by the government, government agencies and similar bodies whether local, national or international.

When loans are provided by governments at a below-market rate of interest, the benefit is regarded as a government grant. The loan is initially recognized and measured at fair value and the government grant is measured as the difference between the initial carrying amount of the loan and the funds received. The loan is subsequently measured in accordance with the requirements for financial liabilities.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the costs that the grants are intended to compensate.

Where the Group receives government grants in the form of a transfer of a non-monetary asset for the use of the Group, it accounts for both the grant and the asset at the fair value of the non-monetary asset received at the date of the transfer.

Grants related to long-lived assets, including non-monetary grants at fair value, i.e. those received to purchase, build or otherwise acquire non-current assets (for example, an item of property, plant and equipment or an intangible asset), are recognized on a deferred basis under other liabilities and are credited to profit or loss on a straight-line basis over the useful life of the asset.

## Environmental certificates

Some Group companies are affected by national regulations governing green certificates and energy efficiency certifica-

tes (so-called white certificates), as well as the European "Emissions Trading System".

Green certificates accrued in proportion to electricity generated by renewable energy plants and energy efficiency certificates accrued in proportion to energy savings achieved that have been certified by the competent authority are treated as non-monetary government operating grants and are recognized at fair value, under other revenue and income, with recognition of an asset under other non-financial assets, if the certificates are not yet credited to the ownership account, or under inventories, if the certificates have already been credited to that account. At the time the certificates are credited to the ownership account, they are reclassified from other assets to inventories.

Revenue from the sale of such certificates are recognized under revenue from sales and services, with a corresponding decrease in inventories.

For the purposes of accounting for charges arising from regulatory requirements concerning green certificates, energy efficiency certificates and CO<sub>2</sub> emissions allowances, the Group uses the "net liability approach".

Under this accounting policy, environmental certificates received free of charge and those self-produced as a result of Group's operations that will be used for compliance purposes are recognized at nominal value (nil). In addition, charges incurred for obtaining (in the market or in some other transaction for consideration) any missing certificates to fulfil compliance requirements for the reporting period are recognized through profit or loss on an accruals basis under other operating expenses, as they represent "system charges" consequent upon compliance with a regulatory requirement.

## Non-current assets (or disposal groups) classified as held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use.

This classification criteria is applicable only when non-current assets (or disposal groups) are available in their present condition for immediate sale and the sale is highly probable. If the Group is committed to a sale plan involving loss of control of a subsidiary and the requirements provided for under IFRS 5 are met, all the assets and liabilities of that subsidiary are classified as held for sale when the classification criteria are met, regardless of whether the Group will retain

a non-controlling interest in its former subsidiary after the sale.

The Group applies these classification criteria as envisaged in IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method until disposal of the portion that is classified as held for sale takes place.

Non-current assets (or disposal groups) and liabilities of disposal groups classified as held for sale are presented separately from other assets and liabilities in the balance sheet.

The amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale are not reclassified or re-presented for prior periods presented.

Immediately before the initial classification of non-current assets (or disposal groups) as held for sale, the carrying amounts of such assets (or disposal groups) are measured in accordance with the IFRS-EU applicable to the specific assets or liabilities. Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses for any initial or subsequent write-down of the assets (or disposal groups) to fair value less costs to sell and gains for their reversals are included in profit or loss from continuing operations.

Non-current assets are not depreciated (or amortized) while they are classified as held for sale or while they are part of a disposal group classified as held for sale.

If the classification criteria are no longer met, the Group ceases to classify non-current assets (or disposal group) as held for sale. In that case they are measured at the lower of:

- > the carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized if the asset (or disposal group) had not been classified as held for sale; and
- > the recoverable amount, which is equal to the greater of its fair value net of costs of disposal and its value in use, as calculated at the date of the subsequent decision not to sell.

Any adjustment to the carrying amount of a non-current asset that ceases to be classified as held for sale is included in profit or loss from continuing operations.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- > represents a separate major line of business or geographical area of operations;
- > is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- > is a subsidiary acquired exclusively with a view to resale.

The Group presents, in a separate line item of the income statement, a single amount comprising the total of:

- > the post-tax profit or loss of discontinued operations; and
- > the post-tax gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets or disposal groups constituting the discontinued operation.

The corresponding amount is re-presented in the income statement for prior periods presented in the financial statements, so that the disclosures relate to all operations that are discontinued by the end of the current reporting period. If the Group ceases to classify a component as held for sale, the results of the component previously presented in discontinued operations are reclassified and included in income from continuing operations for all periods presented.

## Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured. Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account. Therefore, in an agency relationship, the amount collected on behalf of the principal are excluded from revenue.

Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the Group.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue.

In arrangements under which the Group will perform multiple revenue-generating activities (a multiple-element arrangement), the recognition criteria are applied to the separately identifiable components of the transaction in order to reflect the substance of the transaction or to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.

More specifically, the following criteria are used depending on the type of transaction:

- > revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer and their amount can be reliably determined;
- > revenue from the sale and transport of electricity and gas is recognized when these commodities are supplied to the customer and regard the quantities provided during the period, even if these have not yet been invoiced. It is determined using estimates as well as periodic meter readings. Where applicable, this revenue is based on the rates and related restrictions established by law or the Italian authority for electricity and analogous foreign authorities during the applicable period. In particular, the authorities that regulate the electricity and gas markets can use mechanisms to reduce the impact of the temporal mismatching between the setting of prices for energy for the regulated market as applied to distributors and the setting of prices by the latter for final consumers;
- > revenue from the rendering of services is recognized by reference to the stage of completion of services at the end of the reporting periods in which the services are rendered. The stage of completion of the transaction is determined based on an assessment of the service rendered as a percentage of the total services to be rendered or as costs incurred as a proportion of the estimated total costs of the transaction. When it is not possible to reliably determine the value of the revenue, it is recognized only to the extent of the expenses recognized that are recoverable;
- > revenue associated with construction contracts is recognized as specified in the section "Construction contracts";
- > revenue from monetary and in-kind fees for connection to the electricity distribution network is recognized in full upon completion of connection activities if the service supplied is identified. If more than one separately identifiable service is identified, the fair value of the total consideration received or receivable is allocated to each service and the revenue related to the service performed in the period is recognized; in particular, if any ongoing services (electricity distribution services) are identified, the related revenue is generally determined by the terms of the agreement with the customer or, when such an agreement does not specify a period, over a period no longer than the useful life of the transferred asset;
- > revenue from rentals and operating leases is recognized on an accruals basis in accordance with the substance of the relevant agreement.

## Financial income and expense from derivatives

Financial income and expense from derivatives includes:

- > income and expense from derivatives measured at fair value through profit or loss on interest rate and foreign exchange risks;
- > income and expense from fair value hedge derivatives on interest rate risk;
- > income and expense from cash flow hedge derivatives on interest rate and foreign exchange risks.

## Other financial income and expense

For all financial assets and liabilities measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income and expense is recorded using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount can be reliably measured.

Other financial income and expense also includes changes in the fair value of financial instruments other than derivatives.

## Income taxes

### Current income taxes

Current income taxes for the period, which are recognized under "income tax payable" net of payments on account, or under "tax receivables" where there is a credit balance, are determined using an estimate of taxable income and in conformity with the applicable regulations.

In particular, such payables and receivables are determined using the tax rates and tax laws that are enacted or substantively enacted as at the end of the reporting period.

Current income taxes are recognized in profit or loss with the exception of current income taxes related to items recognized outside profit or loss that are recognized in equity.

### Deferred tax items

Deferred tax liabilities and assets are calculated on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corre-

sponding values recognized for tax purposes on the basis of tax rates in effect on the date the temporary difference will reverse, which is determined on the basis of tax rates that are enacted or substantively enacted as at end of the reporting period.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the Group can control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses, when recovery is probable, i.e. when an entity expects to have sufficient future taxable income to recover the asset.

The recoverability of deferred tax assets is reviewed at each period-end.

Unrecognized deferred tax assets are re-assessed at each reporting date and they are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred taxes are recognized in profit or loss, with the exception of those in respect of items recognized outside profit or loss that are recognized in equity.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are set off if an entity has a legally enforceable right to set off the current tax assets and current tax liabilities that will arise at the time of their reversal.

## Dividends

Dividends are recognized when the right to receive payment is established.

Dividends and interim dividends payable to Company's shareholders are recognized as changes in equity in the period in which they are approved by the Shareholders' Meeting and the Board of Directors, respectively.

## Recently issued accounting standards

### New accounting standards applied in 2014

The Group adopted the following accounting standards and amendments to existing standards with effect as from January 1, 2014:

- > "IFRS 10 - Consolidated financial statements". Replaces "SIC 12 - Consolidation - Special purpose entities" and, for the part concerning consolidated financial statements, "IAS 27 - Consolidated and separate financial statements", the title of which was changed to "Separate financial statements". The standard introduces a new approach to determining whether an entity controls another (the essential condition for consolidating an investee), without modifying the consolidation procedures envisaged in the previous IAS 27. This approach must be applied to all investees, including special purpose entities, which are called "structured entities" in the new standard. While previous accounting standards gave priority – where control did not derive from holding a majority of actual or potential voting rights – to an assessment of the risks/benefits associated with the holding in the investee, IFRS 10 focuses on the determination on three elements to be considered in each assessment: the power to direct relevant activities of the investee; exposure to variable returns from the involvement in the investee; and the link between power and returns, i.e. the ability to use that decision-making power over the investee to affect the amount of returns. The accounting effects of a loss of control or a change in the ownership interest that does not result in a loss of control are unchanged with respect to the provisions of the previous IAS 27.

The retroactive application of the standard did not have an impact on the consolidated financial statements.

- > "IAS 27 - Separate financial statements". Together with the issue of IFRS 10 and IFRS 12, the previous IAS 27 was also amended, with changes to its title and its content. All provisions concerning the preparation of consolidated financial statements were eliminated, while the other provisions were not modified. Following the amendment, the standard therefore only specifies the recognition and

measurement criteria and the disclosure requirements for separate financial statements concerning subsidiaries, joint ventures and associates.

As the amendment does not regard the consolidated financial statements, the retrospective application of the amendments did not have an impact on Group.

- > "IFRS 11 - Joint arrangements". Replaces "IAS 31 - Interests in joint ventures" and "SIC 13 - Jointly controlled entities - non-monetary contributions by venturers". Unlike IAS 31, which assessed joint arrangements on the basis of the contractual form adopted, IFRS 11 assesses them on the basis of how the related rights and obligations are attributed to the parties. In particular, the new standard identifies two types of joint arrangement: joint operations, where the parties to the arrangement have pro-rata rights to the assets and pro-rata obligations for the liabilities relating to the arrangement; and joint ventures, where the parties have rights to a share of the net assets or profit/loss of the arrangement. In the consolidated financial statements and the separate financial statements, accounting for an interest in a joint operation involves the pro-rata recognition of the assets/liabilities and revenues/expenses related to the arrangement on the basis of the associated rights/obligations, without taking account of the interest held. Accounting for an interest in a joint venture involves the recognition of an investment accounted for using the equity method. Proportionate consolidation is therefore no longer permitted.

The effects of the retrospective application of the standard in the consolidated financial statements are discussed in note 4 "Restatement of comparative disclosures" below.

- > "IAS 28 - Investments in associates and joint ventures". Together with the issue of IFRS 11 and IFRS 12, the previous IAS 28 was amended, with changes to its title and its content. In particular, the new standard, which also includes the provisions of "SIC 13 - Jointly controlled entities - non-monetary contributions by venturers", describes the application of the equity method, which in consolidated financial statements is used to account for associates and joint ventures.

The effects of the retrospective application of the standard in the consolidated financial statements are discussed – together with those generated by the introduction of IFRS 11 – in note 4 "Restatement of comparative disclosures" below.

- > "IFRS 12 - Disclosure of interests in other entities". IFRS 12 brings together in a single standard the required di-

disclosures concerning interests held in subsidiaries, joint operations and joint ventures, associates and structured entities. In particular, the standard replaces the disclosures called for in the previous versions of IAS 27, IAS 28 and IAS 31 in order to ensure the disclosure of more uniform and consistent information, introducing new requirements for disclosures concerning subsidiaries with significant non-controlling shareholders and individually material associates and joint ventures, as well as structured entities.

The retrospective application of the measure did not have an impact on the consolidated financial statements.

- > "Amendments to IAS 32 - *Financial instruments: presentation - Offsetting financial assets and financial liabilities*". The new version of IAS 32 establishes that a financial asset and a financial liability should be offset and the net amount reported in the balance sheet when, and only when, an entity:

- a) has a legally enforceable right to set off the amounts; and
- b) intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The amendments to IAS 32 clarify that, in order to satisfy the first requirement, the right of set-off must not be conditioned upon the occurrence of a future event and must be legally enforceable in the normal course of business and in the event of breach, insolvency or bankruptcy. The company's intent to settle net items can be seen in the course of normal business practices, through the operation of financial markets and through the absence of restrictions on the ability to settle gross and net financial assets and liabilities simultaneously. With regard to this requirement, the amendments to IAS 32 state that, where the entity settles financial assets and liabilities separately, for the purpose of offsetting such in the financial statements, the gross settlement system must have specific characteristics that eliminate or reduce the degree of credit and liquidity risk to insignificant levels, as well as processing receivables and payables in a single settlement process.

The effects of the retrospective application of the amendments on these consolidated financial statements are discussed in note 4 "Restatement of comparative disclosures" below.

- > "Amendments to IFRS 10, IFRS 11 and IFRS 12 - *Transition guidance*". The amendments are intended to clarify a number of issues concerning the first-time adoption of IFRS 10, IFRS 11 and IFRS 12. In particular, IFRS 10 was

amended to clarify that the date of initial application of the standard shall mean "the beginning of the annual reporting period in which IFRS 10 is applied for the first time" (i.e. January 1, 2013). In addition, the amendments limited the comparative disclosures to be provided in the first year of application. IFRS 11 and IFRS 12 were amended analogously, limiting the effects, both in terms of restatement of financial data and of disclosures, of initial application of IFRS 11.

The retrospective application of the amendments did not have an impact on the consolidated financial statements.

- > "Amendments to IFRS 10, IFRS 12 and IAS 27 - *Investment entities*". The amendments introduce an exception to the requirement under IFRS 10 to consolidate all subsidiaries if the parent qualifies as an "investment entity". More specifically, investment entities, as defined in the amendments, shall not consolidate their subsidiaries unless the latter provide services associated with the investment activities of the parent. Non-consolidated subsidiaries shall be measured in conformity with IFRS 9 or IAS 39. The parent of an investment entity shall, however, consolidate all of its subsidiaries (including those held through the investment entity) unless it also qualifies as an investment entity.

The retrospective application of the amendments did not have an impact on the consolidated financial statements.

- > "Amendments to IAS 36 - *Recoverable amount disclosures for non-financial assets*". The amendments of IAS 36 as a consequence of the provisions of IFRS 13 did not reflect the intentions of the IASB concerning the disclosures to report about the recoverable amount of impaired assets. Consequently, the IASB amended the standard further, eliminating the disclosure requirements originally introduced by IFRS 13 and requiring specific disclosures concerning the measurement of fair value in cases in which the recoverable amount of impaired assets is calculated on the basis of fair value less costs of disposal. The amendments also require disclosures on the recoverable amount of assets or cash generating units for which an impairment loss has been recognized or reversed during the period.

The retrospective application of the amendments did not have an impact on the consolidated financial statements.

- > "Amendments to IAS 39 - *Novation of derivatives and continuation of hedge accounting*". The amendments are intended to allow entities, under certain conditions, to continue hedge accounting in the case of novation of the hedging instrument with a central counterparty as a re-



sult of the introduction of a new law or regulation.

The retrospective application of the amendments did not have an impact on the consolidated financial statements.

## Accounting standards taking effect at a future date

The following new standards, amendments and interpretations take effect after December 31, 2014:

- > "IFRIC 21 - *Levies*", issued in May 2013. The interpretation defines when a liability in respect of the obligation to pay a levy (other than income taxes) due to the government, whether local, national or international must be recognized. More specifically, the interpretation established that the liability shall be recognized when the obligating event giving rise to the liability to pay the levy (for example, upon reaching a given threshold level of revenue), as set out in the applicable law, occurs. If the obligating event occurs over a specified period of time, the liability shall be recognized gradually over that period. The interpretation will take effect for periods beginning on or after June 17, 2014. The Group does not expect the future application of the provisions to have an impact.
- > "Annual improvements to IFRSs 2011-2013 cycle", issued in December 2013; the document contains formal modifications and clarifications of existing standards that are not expected to have a significant impact on the Group and will apply as from January 1, 2015. More specifically, the following standards were amended:
  - "IFRS 3 - *Business combinations*"; the amendment clarifies that IFRS 3 does not apply to the financial statements of a joint arrangement in accounting for the formation of the joint arrangement itself;
  - "IFRS 13 - *Fair value measurement*"; the amendment clarifies that the exception provided for in that standard of measuring financial assets and liabilities on the basis of the net exposure of the portfolio (the "portfolio exception") shall apply to all contracts within the scope of IAS 39 or IFRS 9 even if they do not meet the definitions in IAS 32 of financial assets or liabilities;
  - "IAS 40 - *Investment property*"; under IAS 40, a property interest held by a lessee under an operating lease may be classified as an investment property if and only if the property would otherwise meet the definition of an investment property and if the lessee uses the fair value model to measure such investments. The amendment also clarifies that management judgment must be used to determine whether the acquisition of

an investment property represents the acquisition of an asset or group of assets or is a business combination under the provisions of IFRS 3. That judgment must be consistent with the guidance of IFRS 3.

"Annual improvements to IFRSs 2011-2013 cycle" amended the Basis for Conclusions of "IFRS 1 - *First-time adoption of International Financial Reporting Standards*" to clarify that a first-time adopter may adopt a new IFRS whose adoption is not yet mandatorily effective if the new IFRS permits early application.

- > "Annual improvements to IFRSs 2010-2012 cycle", issued in December 2013; the document contains formal modifications and clarifications of existing standards that are not expected to have a significant impact on the Group and will apply for period beginning on or after February 1, 2015. More specifically, the following standards were amended:
  - "IFRS 2 - *Share-based payment*"; the amendment separates the definitions of "performance conditions" and "service conditions" from the definition of "vesting conditions" in order to clarify the description of each condition;
  - "IFRS 3 - *Business combinations*"; the amendment clarifies how to classify any contingent consideration agreed in a business combination. Specifically, the amendment establishes that if the contingent consideration meets the definition of financial instrument it shall be classified as a financial liability or equity. In the former case, the liability shall be measured at fair value and changes in fair value shall be recognized in profit or loss in accordance with IFRS 9. Contingent consideration that does not meet the definition of financial instrument shall be measured at fair value and changes in fair value shall be recognized in profit or loss;
  - "IFRS 8 - *Operating segments*"; the amendments introduce new disclosure requirements in order to enable the users of financial statements to understand the judgments adopted by management's in aggregating operating segments and the reasons for such aggregation. The amendments also clarify that the reconciliation of total segment assets and total assets of the entity is required only if provided periodically by management;
  - "IAS 16 - *Property, plant and equipment*"; the amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount of that asset shall be adjusted in a manner consistent with the revaluation of the carrying amount.

In addition, it also clarifies that the accumulated depreciation shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses;

- "IAS 24 - *Related party disclosures*"; the amendment clarifies that a management entity, i.e. an entity providing key management personnel services to an entity, is a related party of that entity. Accordingly, in addition to fees for services paid or payable to the management entity, the entity must report other transactions with the management entity, such as loans. The amendment also clarifies that if an entity obtains key management personnel services from a management entity, the entity is not required to disclose the compensation paid or payable by the management entity to those managers;
- "IAS 38 - *Intangible assets*"; the amendment clarifies that when an intangible asset is revalued, its gross carrying amount shall be adjusted in a manner consistent with the revaluation of the carrying amount. In addition, it also clarifies that the accumulated amortization shall be calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses.

"Annual improvements to IFRSs 2010-2012 cycle" amended the Basis for Conclusions of "IFRS 13 - *Fair value measurement*" to clarify that short-term receivables and payables with no stated interest rate to apply to the invoice amount can still be measured without discounting, if the impact of discounting would not be material.

- > "Amendments to IAS 19 - *Defined benefit plans: employees contributions*", issued in November 2013. The amendments are intended to clarify how to recognize contributions from employees within a defined benefit plan. More specifically, contributions linked to service should be recognized as a reduction in service cost:
  - over the periods in which employees render their services, if the amount of the contributions is dependent on the number of years of service; or
  - in the period in which the service is rendered, if the amount of the contributions is independent of the number of years of service.

The amendments will take effect for periods beginning on or after February 1, 2015. The Group is assessing the potential impact of the future application of the amendments.

- > "IFRS 9 - *Financial instruments*", the final version was issued on July 24, 2014, replacing the existing "IAS 39 - *Financial instruments: recognition and measurement*" and supersedes all previous versions of the new standard. The standard will take effect as from January 1, 2018 and early application will be permitted following endorsement.

The final version of IFRS 9 incorporates the results of the three phases of the project to replace IAS 39 concerning classification and measurement, impairment and hedge accounting.

As regards the classification of financial instruments, IFRS 9 provides for a single approach for all types of financial asset, including those containing embedded derivatives, under which financial assets are classified in their entirety, without the application of complex subdivision methods.

In order to determine how financial assets should be classified and measured, consideration must be given to the business model used to manage its financial assets and the characteristics of the contractual cash flows. Business model is construed as the manner in which the entity manages its financial assets to generate cash flows, i.e. collecting contractual cash flows, selling the financial asset or both.

Financial assets at amortized cost are held in a business model whose objective is to collect contractual cash flows, while those held at fair value through other comprehensive income (FVTOCI) are held with the objective of collecting contractual cash flows or selling the instrument. This category enables the recognition of interest calculated using the amortized cost method through profit or loss and the fair value of the financial asset through OCI.

Financial assets at fair value through profit or loss (FVTPL) is now a residual category that comprises financial instruments that are not held under one of the two business models indicated above, including those held for trading and those managed on the basis of their fair value.

As regards the classification and measurement of financial liabilities, IFRS 9 maintains the accounting treatment envisaged in IAS 39, making limited amendments, for which most of such liabilities are measured at amortized cost. In addition, it is still possible to designate a financial liability as at fair value through profit or loss if certain requirements are met.

The standard introduces new provisions for financial liabilities designated as at fair value through profit or loss, under which in certain circumstances the portion of



changes in fair value due to own credit risk shall be recognized through OCI rather than profit or loss. This part of the standard may be applied early, without having to apply the entire standard.

In view of the fact that during the financial crisis the model of impairment based on "incurred credit losses" had shown clear limitations connected with the deferral of the recognition of credit losses to the time a trigger event occurred, the standard proposes a new model that gives users of financial statements more information on "expected credit losses".

Essentially, the model envisages:

- a) the application of a single approach for all financial assets;
- b) the recognition of expected credit losses on an ongoing basis and the updating of the amount of such losses at the end of each reporting period, with a view to reflecting changes in the credit risk of the financial instrument;
- c) the measurement of expected losses on the basis of reasonable information, obtainable without undue cost, about past events, current conditions and forecasts of future conditions;
- d) an improvement of disclosures on expected losses and credit risk.

IFRS 9 also introduces a new approach to hedge accounting, with the objective of aligning the representation in the accounts with risk management activities and of establishing a more principles-based approach.

The new approach to hedge accounting will enable entities to reflect their risk management activities in the financial statements, extending the criteria for eligibility as hedged items to the risk components of non-financial elements, to net positions, to layer components and to aggregate exposures (i.e. a combination of a non-derivative exposure and a derivative). The most significant changes regarding hedging instruments compared with the hedge accounting approach used in IAS 39 involve the possibility of deferring the time value of an option, the forward element of forward contracts and currency basis spreads (i.e. "hedging costs") in OCI up until the time in which the hedged element impacts profit or loss. IFRS 9 also eliminates the requirement for testing effectiveness under which the results of the retrospective test needed to fall within a range of 80%-125%, allowing entities to rebalance the hedging relationship if risk management objectives have not changed.

Finally, IFRS 9 does not replace the provisions of IAS 39

concerning portfolio fair value hedge accounting for interest rate risk ("macro hedge accounting") as that phase of the project for replacing IAS 39 has been separated and is currently at the discussion stage. In this regard, in April 2014 the IASB published the *Discussion Paper Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging*.

The potential impact of the future application of IFRS 9 is still being assessed.

- > "IFRS 14 - *Regulatory deferral accounts*", issued in January 2014. The standard allows first-time adopters to continue to recognize rate-regulated amounts recognized under their previous GAAP at first-time adoption of the International Financial Reporting Standards. The standard may not be adopted by entities that already prepare their financial statements in accordance with the IFRS/IAS. In other words, an entity may not recognize rate-regulated assets and liabilities under IFRS 14 if its current GAAP do not permit such recognition or if the entity has not adopted such accounting treatment as permitted under its current GAAP. The standard shall take effect retrospectively, subject to endorsement, for periods beginning on or after January 1, 2016. The application of the standard will have no impact on the Group.
- > "IFRS 15 - *Revenue from contracts with customers*", issued in May 2014, introduces a general framework for the recognition and measurement of revenue, accompanied by a set of notes. The new standard replaces "IAS 11 - *Construction contracts*", "IAS 18 - *Revenue*", "IFRIC 13 - *Customer loyalty programmes*", "IFRIC 15 - *Agreements for the construction of real estate*", "IFRIC 18 - *Transfers of assets from customers*" and "SIC 31 - *Revenue - Barter transactions involving advertising services*". The new standard establishes that an entity must recognize revenue in a manner that faithfully depicts the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new recognition approach is based on a five-step model: the entity must identify the contract(s) with the customer (step 1); once the contract has been identified, it must identify the performance obligations in the contract, i.e. it must assess its terms and commercial practices in order to identify which goods and services are promised in respect of the individual obligations in the contract (step 2); subsequently, the entity must determine the transaction price (step 3), which is represented by the consideration that it expects to obtain; the entity must then allocate the

transaction price to the individual obligations identified in the contract (step 4) on the basis of the value of each performance obligation; revenue is recognized when the entity satisfies the individual performance obligations (step 5). The standard shall take effect, subject to endorsement, for periods beginning on or after January 1, 2017. The Group is assessing the potential impact of the future application of the standard.

- > "Amendments to IFRS 11 - *Accounting for acquisitions of interests in joint operations*", issued in May 2014. The amendments clarify the accounting treatment of the acquisition of an interests in a joint operation that is business, pursuant to IFRS 3, requiring the application of all the accounting rules for business combinations under IFRS 3 and other applicable IFRS with the exception of those standards that conflict with the guidance on IFRS 11. Under the amendments, a joint operator that acquires such interests must measure the identifiable assets and liabilities at fair value; expense acquisition-related costs (with the exception of debt or equity issuance costs); recognize deferred taxes; recognize any goodwill or bargain purchase gain; perform impairment tests for the cash generating units to which goodwill has been allocated; and disclose information required for relevant business combinations. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2016.
- > "Amendments to IAS 16 and IAS 38 - *Clarification of acceptable methods of depreciation and amortization*", issued in May 2014. The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. The provisions of IAS 16 have been amended to clarify that a revenue-based depreciation method asset is not appropriate. The provisions of IAS 38 have been amended to introduce a presumption that a revenue-based amortization method is inappropriate. That presumption can be overcome when:
  - the intangible asset is expressed as a measure of revenue;
  - it can be demonstrated that revenue and the consumption of the economic benefit generated by an intangible asset are highly correlated.

The amendments will take effect prospectively, subject to endorsement, for periods beginning on or after January 1, 2016. The Group is assessing the impact of the future application of the amendments.

- > "Amendments to IAS 16 and IAS 41 - *Bearer plants*", is-

sued in June 2014. The amendments change the accounting treatment of biological assets that meet the definition of "bearer plants", such as fruit trees, that currently fall within the scope of "IAS 16 - *Property, plant and equipment*". As a consequence, they will be subject to all of the provisions of that standard. Accordingly, for measurement subsequent to initial recognition, the entity may choose between the cost model and the revaluation model. The agricultural products produced by the bearer plants (e.g. fruit) will remain within the scope of "IAS 41 - *Agriculture*". The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2016. The Group does not expect the future application of the amendments to have an impact.

- > "Amendments to IAS 27 - *Equity method in separate financial statements*" issued in August 2014. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendments also clarify a number of issues concerning investment entities. Specifically, when an entity ceases to be an investment entity, it must recognize investments in subsidiaries in accordance with IAS 27. Conversely, when an entity becomes an investment entity, it must recognize investments in subsidiaries at fair value through profit or loss in accordance with IFRS 9. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2016. As the amendments regard the separate financial statements only, they are not expected to have an impact on the consolidated financial statements.
- > "Amendments to IFRS 10 and IAS 28 - *Sale or contribution of assets between an investor and its associate or joint venture*", issued in September 2014. The amendments established that in the case of the sale or contribution of assets to a joint venture or an associate, or the sale of an interest that gives rise to a loss of control while maintaining joint control or significant influence over the associate or joint venture, the amount of the gain or loss recognized shall depend on which the assets or interest constitute a business in accordance with "IFRS 3 - *Business combinations*". More specifically, if the assets/interest constitute a business, any gain (loss) shall be recognized in full; if the assets/interest does not constitute a business, any gain (loss) shall only be recognized to the extent of the unrelated investors' interests in the associate or joint venture, who represent the counterparties in the transaction. The amendments will take effect prospectively, subject to en-

dorsement, for periods beginning on or after January 1, 2016. The Group does not expect the future application of the amendments to have an impact.

- > "Amendments to IAS 1 - *Disclosure initiative*", issued in December 2014. The amendments, which form part of a broader initiative to improve presentation and disclosure requirements, include changes in the following areas:
  - materiality: the amendments clarify that the concept of materiality applies to all parts of the financial statements and that the inclusion of immaterial information could undermine the utility of financial disclosures;
  - disaggregation and subtotals: the amendments clarify that the line items in the income statement, the statement of comprehensive income and the balance sheet may be disaggregated. They also introduce new requirements concerning the use of subtotals;
  - the structure of the notes: the amendments clarify that entities have a certain degree of flexibility in the order in which the notes to the financial statements may be presented. They also emphasize that in establishing that order the entity must consider the requirements of understandability and comparability of the financial statements;
  - investments accounted for using the equity method: the entity's share of OCI of investments in equity-accounted associates and joint ventures must be presented as separate line items in the statement of comprehensive income depending whether they will subsequently be reclassified to profit or loss.

The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2016. The Group does not expect the future application of the amendments to have an impact.

- > "Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment entities: applying the consolidation exception*", issued in December 2014. The amendments clarify that if a parent entity (or intermediate parent) prepares its financial statements in conformity with IFRS 10 (including the case of an investment entity that does not consolidate its investments in subsidiaries but rather measures them at fair value), the exemption from preparing consolidated financial statements is available to the subsidiaries of an investment entity that in turn qualify as investment entities. In addition, the amendments also clarify that a parent entity that qualifies as an investment entity must consolidate a subsidiary that provides services related to the parent's investment activities if the subsidiary is not itself an investment entity. The amendments also sim-

plify application of the equity method for an entity that is not an investment entity but holds an interest in an associate or joint venture that is an investment entity. In particular, when applying the equity method, the entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2016. The Group does not expect the future application of the amendments to have an impact.

- > "Annual improvements to IFRSs 2012-2014 cycle", issued in September 2014; the document contains formal modifications and clarifications of existing standards that are not expected to have a significant impact on the Company. More specifically, the following standards were amended:
  - "IFRS 5 - *Non-current assets held for sale and discontinued operations*"; the amendments clarify that the reclassification of an asset (or disposal group) from held for sale to held for distribution should not be considered as a new plan of sale but rather the continuation of the original plan. Accordingly, the reclassification does not give rise to any interruption in the application of the provisions of IFRS 5 or any change in the date of classification. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2016;
  - "IFRS 7 - *Financial instruments: disclosures*"; as regards disclosures to be provided on any continuing involvement in assets that have been transferred and derecognized in their entirety, the amendments clarify that for disclosure purposes, a servicing contract that provides for the payment of a fee can represent a continuing involvement in the transferred asset. The entity must assess the nature of the fee and the servicing contract to determine when disclosure is required. The amendments also clarify that disclosures concerning the offsetting of financial assets and liabilities are not required in condensed interim financial statements. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2016;
  - "IAS 19 - *Employee benefits*"; IAS 19 requires that the discount rate used to discount post-employment benefit obligations shall be determined by reference to market yields on high quality corporate bonds or government bonds where there is not deep market in such high quality corporate bonds. The amendment

to IAS 19 clarifies that the depth of the market in high quality corporate bonds must be assessed on the basis of the currency in which the bond is denominated and not the currency of the country in which the bond is issued. If there is no deep market in high quality corporate bonds in that currency, the corresponding market yield on government bonds shall be used. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2016;

- "IAS 34 - *Interim financial reporting*"; the amendment establishes that the required disclosures for interim financial reports shall be provided in the interim financial statements or cross-referenced in the interim financial statements by way of a reference to another statement (e.g. a management risk report) that is available on the same terms and at the same time to users of the interim financial statements. The amendments will take effect, subject to endorsement, for periods beginning on or after January 1, 2016.

## 4

### Restatement of comparative disclosures

The newly applicable accounting standards or newly adopted accounting policies that gave rise to restatements of comparative figures at December 31, 2013 are as follows:

- > the retrospective application of the new IFRS 11, under which the only permissible method for accounting for joint ventures is the equity method, while joint arrangements are now accounted for by recognizing the entity's share of the assets/liabilities and costs/revenue of the agreement on the basis of its rights/obligations in the arrangement, regardless of the interest held. In substance, the change removed the possibility, as provided for under the previous IAS 31 and used by the Group, of consolidating investments in joint ventures on a proportionate basis, leading to the restatement of all performance and financial items, although not changing the net income or shareholders' equity of the Group. The impact of the change in accounting treatment of joint operations was marginal, given that the characteristics of the agreements involved and the associated rights and obligations meant that the accounting treatment adopted did not

give rise to any significant differences with the proportionate consolidation method used previously;

- > the application of the new provisions of IAS 32, applicable since January 1, 2014 with retrospective effect, concerning the offsetting of financial assets and liabilities under certain conditions, which only led to the restatement of several items in the consolidated balance sheet at December 31, 2013, with no impact on shareholders' equity.

In addition, the balance sheet figures at December 31, 2013 were restated as a result of the definitive allocation of the purchase prices for a number of companies in the Renewable Energy Division (including Parque Eólico Talinay Oriente) in transactions that had been completed after that date. Here, too, there were no restatement effects on the items of the income statement, as the depreciation and amortization of assets other than goodwill whose value was increased only began as from the current year.

Following changes in the approach used to classify costs for purchases of electricity, financial receivables in respect of subsidiaries and joint ventures and the financial impact of derivatives and their fair value, designed to implement best industry practice and to ensure clarity in financial reporting, reclassifications have been made to the income statement, the balance sheet and the statement of cash flows for 2013 in order to ensure greater comparability of the information reported. More specifically: with regard to the 2013 income statement, we have reclassified:

- (i) costs for materials and equipment in the amount of €1,577 million from "Raw materials and consumables" to "Services and other materials";
- (ii) financial income from derivatives in the amount of €757 million from "Financial income" to "Net financial income/(expense) from derivatives";
- (iii) financial expense from derivatives in the amount of €1,218 million from "Financial expense" to "Net financial income/(expense) from derivatives".

With regard to the balance sheet at December 31, 2013 and at January 1, 2013, we have reclassified:

- (i) non-current derivative financial assets, equal – at the respective reference dates – to €444 million and €953 million, from "Non-current financial assets" to a separate "Derivatives" item under non-current assets;
- (ii) current derivative financial assets, equal – at the respective reference dates – to €2,285 million and €1,718 million, from "Current financial assets" to a separate "Derivatives" item under current assets;

- (iii) non-current derivative financial liabilities, equal – at the respective reference dates – to €2,257 million and €2,553 million, from “Non-current financial liabilities” to a separate “Derivatives” item under non-current liabilities;
- (iv) current derivative financial liabilities, equal – at the respective reference dates – to €2,535 million and €2,028 million, from “Current financial liabilities” to a separate “Derivatives” item under current liabilities.

In addition, the income statement and the balance sheet have been modified to improve the presentation of information concerning costs for purchases of raw materials and

energy, receivables and payables in respect of construction contracts and the impact of derivatives on performance and the financial position. This made it necessary to restate certain figures for 2013 and at December 31, 2013, in order to ensure the comparability of the figures.

The following tables report the changes to the income statement, the statement of comprehensive income, the consolidated balance sheet and the statement of cash flows as a result of the above amendments, including the associated tax effects.

Millions of euro

	2013	IFRS 11 effect	2013 restated
<b>Revenue</b>			
Revenue from sales and services	77,258	(1,831)	75,427
Other revenue and income	3,277	(41)	3,236
<b>Total revenue</b>	<b>80,535</b>	<b>(1,872)</b>	<b>78,663</b>
<b>Costs</b>			
Electricity, gas and fuel purchases	40,035	(1,081)	38,954
Services and other materials	17,128	(430)	16,698
Personnel	4,596	(41)	4,555
Depreciation, amortization and impairment losses	7,067	(116)	6,951
Other operating expenses	2,837	(16)	2,821
Capitalized costs	(1,450)	16	(1,434)
<b>Total costs</b>	<b>70,213</b>	<b>(1,668)</b>	<b>68,545</b>
<b>Net income/(expense) from commodity contracts measured at fair value</b>	<b>(378)</b>	<b>-</b>	<b>(378)</b>
<b>Operating income</b>	<b>9,944</b>	<b>(204)</b>	<b>9,740</b>
Financial income from derivatives	757	(1)	756
Other financial income	1,696	(3)	1,693
Financial expense from derivatives	1,218	(8)	1,210
Other financial expense	4,048	(5)	4,043
Share of income/(losses) of equity investments accounted for using the equity method	86	131	217
<b>Income before taxes</b>	<b>7,217</b>	<b>(64)</b>	<b>7,153</b>
Income taxes	2,437	(64)	2,373
<b>Net income from continuing operations</b>	<b>4,780</b>	<b>-</b>	<b>4,780</b>
<b>Net income from discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income for the year (shareholders of the Parent Company and non-controlling interests)</b>	<b>4,780</b>	<b>-</b>	<b>4,780</b>
Attributable to shareholders of the Parent Company	3,235	-	3,235
Attributable to non-controlling interests	1,545	-	1,545

Millions of euro

	2013	IFRS 11 effect	2013 restated
<b>Net income for the year</b>	<b>4,780</b>	-	<b>4,780</b>
<b>Other comprehensive income recyclable to profit or loss</b>			
Effective portion of change in the fair value of cash flow hedges	(174)	(16)	(190)
Share of the other comprehensive income of equity investments accounted for using the equity method	(29)	11	(18)
Change in the fair value of financial assets available for sale	(105)	-	(105)
Exchange rate differences	(3,197)	5	(3,192)
<b>Other comprehensive income not recyclable to profit or loss</b>			
Remeasurements of net defined benefit liabilities/(assets)	(188)	-	(188)
Share of the other comprehensive income of equity investments accounted for using the equity method	-	-	-
<b>Total other comprehensive income/(loss) for the period</b>	<b>(3,693)</b>	-	<b>(3,693)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>1,087</b>		<b>1,087</b>
<b>Attributable to:</b>			
- shareholders of the Parent Company	1,514	-	1,514
- non-controlling interests	(427)	-	(427)

Millions of euro

	at Dec. 31, 2012	IFRS 11 effect	IAS 32 effect	at Jan. 1, 2013 restated	at Dec. 31, 2013	IFRS 11 effect	IAS 32 effect	Renewable Energy Division PPA	at Dec. 31, 2013 restated
<b>ASSETS</b>									
Property, plant and equipment	83,115	(926)	-	82,189	81,050	(773)	-	(14)	80,263
Investment property	197	-	-	197	181	-	-	-	181
Intangible assets	20,087	(137)	-	19,950	18,214	(174)	-	15	18,055
Goodwill	15,910	(101)	-	15,809	15,015	(51)	-	3	14,967
Deferred tax assets	6,816	(49)	-	6,767	6,239	(53)	-	-	6,186
Equity investments accounted for using the equity method	1,115	836	-	1,951	647	725	-	-	1,372
Derivatives	953	-	-	953	444	-	-	-	444
Other non-current financial assets	4,565	23	-	4,588	5,957	13	-	-	5,970
Other non-current assets	800	(19)	-	781	837	(20)	-	-	817
<b>Total non-current assets</b>	<b>133,558</b>	<b>(373)</b>	-	<b>133,185</b>	<b>128,584</b>	<b>(333)</b>	-	<b>4</b>	<b>128,255</b>
Inventories	3,338	(48)	-	3,290	3,586	(31)	-	-	3,555
Trade receivables	11,681	(126)	-	11,555	11,496	(118)	-	-	11,378
Tax receivables	1,631	(28)	-	1,603	1,735	(26)	-	-	1,709
Derivatives	1,718	(1)	507	2,224	2,285	(1)	406	-	2,690
Other current financial assets	7,663	(13)	-	7,650	5,592	15	-	-	5,607
Other current assets	2,300	(19)	-	2,281	2,599	(42)	-	-	2,557
Cash and cash equivalents	9,891	(165)	-	9,726	8,030	(157)	-	-	7,873
<b>Total current assets</b>	<b>38,222</b>	<b>(400)</b>	<b>507</b>	<b>38,329</b>	<b>35,323</b>	<b>(360)</b>	<b>406</b>	-	<b>35,369</b>
<b>Assets classified as held for sale</b>	<b>317</b>	-	-	<b>317</b>	<b>241</b>	-	-	-	<b>241</b>
<b>TOTAL ASSETS</b>	<b>172,097</b>	<b>(773)</b>	<b>507</b>	<b>171,831</b>	<b>164,148</b>	<b>(693)</b>	<b>406</b>	<b>4</b>	<b>163,865</b>

Millions of euro

	at Dec. 31, 2012	IFRS 11 effect	IAS 32 effect	at Jan. 1, 2013 restated	at Dec. 31, 2013	IFRS 11 effect	IAS 32 effect	Renewable Energy Division PPA	at Dec. 31, 2013 restated
Share capital	9,403	-	-	9,403	9,403	-	- -		9,403
Reserves	8,747		-	8,747	7,084	-	-	-	7,084
Retained earnings (loss carried forward)	17,625		-	17,625	19,454	-	-	-	19,454
<b>Total equity attributable to the shareholders of the Parent Company</b>	<b>35,775</b>	<b>-</b>	<b>-</b>	<b>35,775</b>	<b>35,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,941</b>
<b>Non-controlling interests</b>	<b>16,312</b>	<b>(9)</b>		<b>16,303</b>	<b>16,898</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>16,891</b>
<b>Total shareholders' equity</b>	<b>52,087</b>	<b>(9)</b>	<b>-</b>	<b>52,078</b>	<b>52,839</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>52,832</b>
Long-term borrowings	55,959	(226)	-	55,733	51,113	(208)	-	-	50,905
Post-employment and other employee benefits	4,542	(21)	-	4,521	3,696	(19)	-	-	3,677
Provisions for risks and charges	7,336	(80)	-	7,256	6,554	(50)	-		6,504
Deferred tax liabilities	11,786	(128)	-	11,658	10,905	(114)	-	4	10,795
Derivatives	2,553	(66)	-	2,487	2,257	(41)	-		2,216
Other non-current liabilities	1,151	(8)	-	1,143	1,266	(7)	-	-	1,259
<b>Total non-current liabilities</b>	<b>83,327</b>	<b>(529)</b>	<b>-</b>	<b>82,798</b>	<b>75,791</b>	<b>(439)</b>	<b>-</b>	<b>4</b>	<b>75,356</b>
Short-term borrowings	3,970	(2)	-	3,968	2,529	(45)	-	-	2,484
Current portion of long-term borrowings	4,057	(34)	-	4,023	4,690	(32)	-	-	4,658
Provisions for risk and charges	1,312	(21)	-	1,291	1,493	(26)	-		1,467
Trade payables	13,194	(105)	-	13,089	12,444	(81)	-	-	12,363
Income tax payable	364	(10)	-	354	308	(22)	-	-	286
Derivatives	2,028	(1)	507	2,534	2,535	(1)	406	-	2,940
Other current financial liabilities	1,110	(5)	-	1,105	1,105	(5)	-		1,100
Other current liabilities	10,641	(57)	-	10,584	10,394	(35)	-	-	10,359
<b>Total current liabilities</b>	<b>36,676</b>	<b>(235)</b>	<b>507</b>	<b>36,948</b>	<b>35,498</b>	<b>(247)</b>	<b>406</b>	<b>-</b>	<b>35,657</b>
<b>Liabilities classified as held for sale</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>
<b>TOTAL LIABILITIES</b>	<b>120,010</b>	<b>(764)</b>	<b>507</b>	<b>119,753</b>	<b>111,309</b>	<b>(686)</b>	<b>406</b>	<b>4</b>	<b>111,033</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>172,097</b>	<b>(773)</b>	<b>507</b>	<b>171,831</b>	<b>164,148</b>	<b>(693)</b>	<b>406</b>	<b>4</b>	<b>163,865</b>



	2013	IFRS 11 effect	2013 restated
<b>Income before taxes for the year</b>	<b>7,217</b>	<b>(63)</b>	<b>7,154</b>
<b>Adjustments for:</b>			
Amortization and impairment losses of intangible assets	1,622	(24)	1,598
Depreciation and impairment losses of property, plant and equipment	4,790	(92)	4,698
Exchange rate adjustments of foreign currency assets and liabilities (including cash and cash equivalents)	(264)	-	(264)
Accruals to provisions	1,023	-	1,023
Financial (income)/expense	2,319	3	2,322
(Gains)/Losses from disposals and other non-monetary items	48	(140)	(92)
<i>Cash flow from operating activities before changes in net current assets</i>	<i>16,755</i>	<i>(316)</i>	<i>16,439</i>
Increase/(Decrease) in provisions	(1,884)	(5)	(1,889)
(Increase)/Decrease in inventories	(249)	(17)	(266)
(Increase)/Decrease in trade receivables	(596)	65	(531)
(Increase)/Decrease in financial and non-financial assets/liabilities	(681)	79	(602)
Increase/(Decrease) in trade payables	(893)	22	(871)
Interest income and other financial income collected	1,110	165	1,275
Interest expense and other financial expense paid	(3,715)	20	(3,695)
Income taxes paid	(2,606)	-	(2,606)
<b>Cash flows from operating activities (a)</b>	<b>7,241</b>	<b>13</b>	<b>7,254</b>
- of which discontinued operations	-	-	-
Investments in property, plant and equipment	(5,350)	39	(5,311)
Investments in intangible assets	(610)	-	(610)
Investments in entities (or business units) less cash and cash equivalents acquired	(210)	4	(206)
Disposals of entities (or business units) less cash and cash equivalents sold	1,409	-	1,409
(Increase)/Decrease in other investing activities	614	1	615
<b>Cash flows from investing/disinvesting activities (b)</b>	<b>(4,147)</b>	<b>44</b>	<b>(4,103)</b>
- of which discontinued operations	-	-	-
Financial debt (new long-term borrowing)	5,336	-	5,336
Financial debt (repayments and other net changes)	(9,565)	(54)	(9,619)
Collections/(Payments) for sale/(acquisition) of non-controlling interests	1,814	-	1,814
Incidental expenses in disposal of equity interests without loss of control	(85)	-	(85)
Dividends and interim dividends paid	(2,044)	-	(2,044)
<b>Cash flows from financing activities (c)</b>	<b>(4,544)</b>	<b>(54)</b>	<b>(4,598)</b>
- of which discontinued operations	-	-	-
<b>Impact of exchange rate fluctuations on cash and cash equivalents (d)</b>	<b>(426)</b>	<b>5</b>	<b>(421)</b>
<b>Increase/(Decrease) in cash and cash equivalents (a+b+c+d)</b>	<b>(1,876)</b>	<b>8</b>	<b>(1,868)</b>
Cash and cash equivalents at the beginning of the year	9,933	(165)	9,768
Cash and cash equivalents at the end of the year	8,057	(157)	7,900



## Main changes in the scope of consolidation

In the two periods under review, the scope of consolidation changed as a result of the following main transactions.

### 2013

- > Acquisition, on March 22, 2013, of 100% of Parque Eólico Talinay Oriente, a company operating in the wind generation sector in Chile;
- > acquisition, on March 26, 2013, of 50% of PowerCrop, a company operating in the biomass generation sector; in view of the joint control exercised over the company together with another operator, the company is now accounted for using the equity method under the provisions of IFRS 11;
- > disposal, on April 8, 2013, of 51% of Buffalo Dunes Wind Project, a company operating in the wind generation sector in the United States;
- > acquisition, on May 22, 2013, of 26% of Chisholm View Wind Project and Prairie Rose Wind, two companies operating in the wind generation sector in the United States in which the Group held a stake of 49%; as a result of the purchase, as from that date the companies are no longer accounted for using the equity method but are now consolidated on a line-by-line basis;
- > acquisition, on August 9, 2013, of 70% of Domus Energia (now Enel Green Power Finale Emilia), a company operating in the biomass generation sector;
- > acquisition, on October 31, 2013, of 100% of Compañía Energética Veracruz, a company operating in the development of hydroelectric plants in Peru;
- > disposal, on November 13, 2013, of 40% of Artic Russia, with the consequent deconsolidation of the interest held by the latter in SeverEnergia;
- > acquisition, in November and December 2013, of nine companies (representing three business combinations) operating in the development of wind power projects in the United States;
- > disposal, on December 20, 2013, of the remaining stake in Enel Rete Gas, previously accounted for using the equity method.

### 2014

- > Loss of control, as from January 1, 2014, of SE Hydro-power, under agreements signed in 2010 upon the acquisition of the company, providing for the change in governance structure as from that date. This resulted in the Enel Group no longer meeting the requirements for control of the company, which has instead become an entity under joint control. With these new governance arrangements, the investment was reclassified as a joint operation under IFRS 11;
- > acquisition, through a tender offer in effect between January 14, 2014 and May 16, 2014, of an additional 15.18% stake in Coelce, an electricity distribution company in Brazil, already under the Group's control prior to the tender offer;
- > acquisition, on April 22, 2014, of 50% of Inversiones Gas Atacama, a company operating in the natural gas transport and electricity generation sector in Chile in which the Group already held 50%; therefore, the company is now consolidated on a line-by-line basis rather than using equity method accounting;
- > acquisition, on May 12, 2014, of 26% of Buffalo Dunes Wind Project, a company operating in the wind generation sector in the United States in which the Group already held 49%; therefore, the company is now consolidated on a line-by-line basis rather than using equity method accounting;
- > acquisition, on July 22, 2014, of the remaining 50% of Enel Green Power Solar Energy, an Italian company operating in the development, design, construction and operation of photovoltaic plants, in which the Group had previously held 50%; therefore, the company is now consolidated on a line-by-line basis rather than using equity method accounting;
- > acquisition, on September 4, 2014, of the remaining 39% of Generandes Perú (previously controlled through a stake of 61%), a company that controls, with an interest of 54.20%, Edegel, a company operating in the power generation sector in Peru;
- > acquisition, on September 17, 2014, of 100% of Osage

Wind LLC, a company that owns a 150 MW wind development project in the United States. In October 2014, a stake of 50% in the company was sold. Consequently, the company, a joint venture, began to be accounted for using the equity method;

- > disposal, on November 21, 2014, of 21.92% of Endesa SA, in a public offering. The operation did not involve any loss of control;
- > during 2014, agreements were completed for the acquisition of wind and solar projects in Chile, in the total amount of about €7 million, and a wind project in Uruguay for €4 million;
- > disposal in December 2014 of the entire stake (36.2%) held in LaGeo, a geothermal generation company in El Salvador;

- > disposal in December 2014 of 100% of Enel Green Power France, a renewables generator in France.

In addition, following the internal reorganization of the Group designed to restructure the holdings of the Iberia and Latin America Division, there were a number of changes in non-controlling interests in a number of subsidiaries. More specifically, on October 23, 2014 Endesa (of which the Group holds 92.06%) sold 100% of Endesa Latinoamérica (an investment holding company that owned 40.32% of Enersis) and 20.3% of Enersis, the parent company for operations in Latin America, to Enel Energy Europe, now Enel Iberoamérica (a wholly-owned subsidiary). The operation increased the Group's stake in Enersis by 4.81%.

## Definitive allocation of the purchase price of a number of companies of the Renewable Energy Division

Following the acquisition of control in 2013 of Parque Eólico Talinay Oriente, a Chilean company operating in the wind generation sector, in the 1st Quarter of 2014 the Group completed the allocation of the associated purchase price to the assets acquired and the liabilities assumed. More specifically, the Group:

- > adjusted the value of certain intangible assets and pro-

perty, plant and equipment as a result of the completion of the determination of their fair value;

- > determined the tax effects associated with the above recognition.

The following table summarizes the accounting effects as of the acquisition dates, along with the effects of certain other minor acquisitions by that Division in the 1st Quarter of 2013 for which the definitive recognition was carried out in the 1st Quarter of 2014.

## Definitive allocation of the purchase price

Millions of euro	Parque Eólico Talinay Oriente	Other minor acquisitions
Net assets acquired before allocation	126	-
Adjustments for measurement at fair value:		
- property, plant and equipment	(14)	-
- intangible assets	8	7
- deferred tax liabilities	(2)	(2)
<b>Net assets acquired after allocation</b>	<b>118</b>	<b>5</b>
Value of the transaction <sup>(1)</sup>	126	7
Goodwill	8	2

(1) Including incidental expenses.

The following section details the main business combinations and other material acquisitions and reorganizations conducted by the Group in 2014.

## Increase of the interest in Coelce

Between January 14, 2014 and May 16, 2014, the Chilean subsidiary Enersis acquired, through a tender offer, another 15.16% of Coelce, a subsidiary that operates in the electricity distribution sector in Brazil and was already consolida-

ted on a line-by-line basis. Under IFRS 3 (Revised), in transactions involving non-controlling interests, the difference between the price paid and the value of the assets acquired (previously assigned to non-controlling shareholders) is recognized in consolidated shareholders' equity reserve. The effects of this transaction are as follows:

Millions of euro

Net assets acquired	189
Cost of transaction	180
Reserve from transactions in non-controlling interests	9

## Acquisition of Inversiones Gas Atacama

On April 22, 2014, Endesa Chile completed the purchase of an additional 50% stake in the share capital of Inversiones Gas Atacama, a company operating in the natural gas transport and electricity generation sector in Chile, from Southern Cross. This acquisition marked the end of the shareholders' agreement signed in August 2007 that gave the two companies joint control over Inversiones Gas Atacama. As a result of this transaction, the company is now fully owned by the

Group and is therefore consolidated on a line-by-line basis rather than using equity method accounting. In accordance with IFRS 3, this transaction is treated as a business combination carried out in stages (a step acquisition) and therefore the fair value adjustments pertaining to the net assets already held were recognized in the income statement for the period. The process of allocating the purchase price to the fair value of the assets acquired and the liabilities and contingent liabilities assumed has essentially been completed with the excess amount (€25 million) definitively allocated to goodwill.

## Determination of goodwill

Millions of euro

<b>Net assets acquired before allocation</b>	<b>348</b>
Adjustments for measurement at fair value:	
- property, plant and equipment	70
- net deferred tax liabilities	(38)
<b>Net assets acquired after allocation</b>	<b>380</b>
<b>Value of the business combination:</b>	
- book value of interest previously held	174
- remeasurement at fair value of interest previously held	29
- cost of acquisition made in 2014 (cash)	202
<b>Total</b>	<b>405</b>
<b>Goodwill</b>	<b>25</b>

The value of the goodwill reflects the amount by which the purchase price exceeds the fair value of the assets acquired and relates to the future economic benefits of the asset that cannot be separately identified. The following table shows

the definitive fair value of the assets acquired and the liabilities and contingent liabilities assumed at the acquisition date of April 22, 2014.

## Financial position of Inversiones Gas Atacama at the acquisition date

Millions of euro	Carrying amount prior to April 22, 2014	Definitive fair value adjustments	Restated values at April 22, 2014
Property, plant and equipment	185	70	255
Inventories, trade and other receivables	62	-	62
Cash and cash equivalents	165	-	165
Other current and non-current assets	32	-	32
<b>Total assets</b>	<b>444</b>	<b>70</b>	<b>514</b>
<b>Equity pertaining to the shareholders of the Parent Company</b>	<b>348</b>	<b>32</b>	<b>380</b>
Non-controlling interests	1	-	1
Financial debt	41	-	41
Trade payables	38	-	38
Deferred tax liabilities and other liabilities	16	38	54
<b>Total liabilities and shareholders' equity</b>	<b>444</b>	<b>70</b>	<b>514</b>

## Increase in investments in Generandes Perú and Edegel

Under the terms of the agreement reached in April 2014, on September 4, 2014, Enersis, the Chilean company that leads operations in Latin America, completed the acquisition of 39% of Generandes Perú, a company already controlled with a stake of 61%, which in turn owns 54.2% of Edegel, a Peruvian company operating in the power generation sector.

In accordance with the provisions of IFRS 3 (Revised) for transactions involving non-controlling interests, the difference between the price paid, equal to \$421 million (equal to €321 million at the acquisition date) and the value of the assets acquired, previously allocated to non-controlling interests, was recognized directly in a specific consolidated equity reserve. The effects of the transaction were as follows:

Millions of euro	
Net assets acquired	233
Cost of transaction	321
Reserve from transactions in non-controlling interests	(88)

## Acquisition of investments in Endesa Latinoamérica and Enersis by Enel Energy Europe

On October 23, 2014, the transfer of the investments held by Endesa in Endesa Latinoamérica and Enersis (100% and 20.3%, respectively) to Enel Energy Europe (now Enel Iberoamérica) was completed.

Enel Iberoamérica, which is wholly owned by Enel and is the majority shareholder of Endesa (with a stake of 92.06% at the transaction date), acquired the 60.62% interest held directly and indirectly by Endesa in the Chilean company Ener-

sis, the holding company of Enel's Latin American companies. More specifically, the transaction involved (i) the 20.3% of Enersis shares held directly by Endesa and (ii) the 100% of Endesa Latinoamérica shares (which in turn holds 40.32% of Enersis) also held directly by Endesa.

The total price was €8,253 million, which was determined using generally accepted international valuation techniques for this type of transaction.

In these consolidated financial statements, the change in the scope of consolidation for the acquisition of 7.94% of the Endesa Latinoamérica Group (which indirectly involved the acquisition of 3.2% of the Enersis Group) and the 1.61% of the Enersis Group held directly by Endesa had a theoretical value of €659 million (equal to the price paid attributable to non-controlling interests, including transaction costs of €4 million), generating a negative difference between the purchase price and the associated share of equity acquired equal to €177 million. In accordance with IFRS 3 (Revised) for transactions in non-controlling interests, that amount was recognized in an equity reserve. The effects of the transaction can be summarized as follows:

Millions of euro	
Net assets acquired	482
Cost of transaction	659
Reserve from transactions in non-controlling interests	177

## Sale of investment in Endesa by Enel Energy Europe in a public offer

On November 21, 2014, the public offer of 21.92% of the shares of Endesa held by Enel Energy Europe, now Enel Iberoamérica, was completed successfully.

Following the offer, the interest held by Enel Iberoamérica

in Endesa declined from 92.06% to 70.14%. The disposal generated proceeds of €3,133 million, which net of transaction costs (€46 million) amounted to €3,087 million. The result on the sale, determined as the difference between the net sale price and the equity sold to non-controlling interests, amounted to €2,831 million, which was recognized in an equity reserve as the Group retains control of the company involved in the disposal.

The impact of the transaction can be summarized as follows:

Millions of euro	
Net assets sold	5,918
Net transaction price	3,087
Reserve from transactions in non-controlling interests	2,831

## Minor acquisitions of the Renewable Energy Division

These include:

- > on May 12, 2014, the Group completed the acquisition of an additional 26% interest in Buffalo Dunes Wind Project. As a result of the transaction, the Group holds 75% of the company, which is consolidated on a line-by-line basis rather than using equity method accounting. In accordance with IFRS 3 (Revised), the transaction is treated as a business combination carried out in stages (a
- step acquisition) and therefore the fair value adjustments pertaining to the net assets already held were recognized in the income statement for the period. The Group also acquired 100% of Aurora Distributed Solar, a company that develops solar power systems, for €15 million. Similar transactions were carried out in December 2014 with Geronimo Wind Energy and Trade Wind Energy;
- > following up on the commitment undertaken with the agreement of July 11, 2014 with Sharp, on July 22, 2014, Enel Green Power acquired Sharp's interest in Enel Green Power & Sharp Solar Energy (now named Enel Green Power Solar Energy Srl), an equally held joint venture created to develop, build and operate photovoltaic plants using the solar panels produced by the 3SUN factory. The agreement, with an overall value of €30 million, involved the acquisition of Sharp's 50% holding and the waiver by Sharp of its claim in respect of Enel Green Power Solar Energy in the amount of €25 million. Following the acquisition, the Group's stake in Enel Green Power Solar Energy rose from 50% to 100%. In accordance with IFRS 3 (Revised), the transaction is treated as a business combination carried out in stages (a step acquisition);
- > the acquisition in December 2014 of Proyecto Talinay Poniente.

## Summary of acquisitions of the Renewable Energy Division

Millions of euro	Buffalo Dunes Wind Project and Aurora Distributed Solar	Enel Green Power Solar Energy	Geronimo Wind Energy and Trade Wind Energy	Proyecto Talinay Poniente
Property, plant and equipment	334	102		
Intangible assets	15		62	20
Cash and cash equivalents	6	12		
Other current and non-current assets		11	1	
Non-controlling interests	(41)			
Gross financial debt	(181)	(122)		
Deferred tax liabilities and other liabilities	(7)	(1)	(21)	(4)
<b>Net assets acquired</b>	<b>126</b>	<b>2</b>	<b>42</b>	<b>16</b>
Goodwill	7			
<b>Value of the transaction<sup>(1)</sup></b>	<b>133</b>	<b>2</b>	<b>42</b>	<b>16</b>
Carrying amount of previously held interests	76	5		
Remeasurement at fair value of previously held interests	3	(8)		
Cost of acquisition carried out in 2014 (cash)	54	5		
Amount to be paid at December 31, 2014			42	16

(1) Including incidental expenses.

For a number of business combinations, the purchase price was provisionally allocated to the net assets acquired. Goodwill was recognized provisionally.

## Segment information

The representation of performance and financial position by business area presented here is based on the approach used by management in monitoring Group performance for the two periods being compared.

On July 31, 2014, the Enel Group adopted a new organizational structure, based on a matrix of Divisions and geographical areas, focused on the industrial objectives of the Group, with clear specification of roles and responsibilities in order to pursue and maintain technological leadership in the sectors in which the Group operates, ensuring operational excellence, and to maximize the level of service offered

to customers in local markets. The new organization will modify the reporting structure, the analysis of the Group's performance and financial position and, accordingly, the representation of consolidated results only from the start of 2015. Consequently, in these consolidated financial statements, in line with practice in previous periods, the results by business area are discussed using the previous organizational structure, taking account of the provisions of IFRS 8 concerning the "management approach".

For more information on performance and financial developments during the year, please see the dedicated section in the report on operations.

## Segment information for 2014 and 2013

### Results for 2014 <sup>(1)</sup>

Millions of euro	Sales	GEM	Infra. & Networks	Iberia and Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	Total
Revenue from third parties	15,116	18,908	3,618	30,412	4,920	2,662	155	75,791
Revenue from transactions with other segments	110	3,698	3,748	135	358	259	(8,308)	-
<b>Total revenue</b>	<b>15,226</b>	<b>22,606</b>	<b>7,366</b>	<b>30,547</b>	<b>5,278</b>	<b>2,921</b>	<b>(8,153)</b>	<b>75,791</b>
Total costs	14,111	21,297	3,387	24,138	4,069	1,059	(8,252)	59,809
Net income/(expense) from commodity contracts measured at fair value	(34)	(146)		(115)	(5)	76	(1)	(225)
Depreciation and amortization	112	520	987	2,517	383	589	96	5,204
Impairment losses	515	2,183	49	1,214	3,540	228	4	7,733
Writebacks	(1)	(1)		(226)	(37)	(3)	1	(267)
<b>Operating income</b>	<b>455</b>	<b>(1,539)</b>	<b>2,943</b>	<b>2,789</b>	<b>(2,682)</b>	<b>1,124</b>	<b>(3)</b>	<b>3,087</b>
<b>Capital expenditure</b>	<b>111</b>	<b>285</b>	<b>996</b>	<b>2,602</b>	<b>936</b>	<b>1,658</b>	<b>113</b>	<b>6,701</b>

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

## Results for 2013 restated <sup>(1)</sup> <sup>(2)</sup>

Millions of euro	Sales	GEM	Infra. & Networks	Iberia and Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	Total
Revenue from third parties	16,704	18,758	3,669	30,563	5,662	2,281	1,026	78,663
Revenue from transactions with other segments	217	4,040	4,029	111	634	488	(9,519)	-
<b>Total revenue</b>	<b>16,921</b>	<b>22,798</b>	<b>7,698</b>	<b>30,674</b>	<b>6,296</b>	<b>2,769</b>	<b>(8,493)</b>	<b>78,663</b>
Total costs	15,973	21,549	3,690	23,887	4,999	1,011	(9,515)	61,594
Net income/(expense) from commodity contracts measured at fair value	(82)	(165)		(148)	(4)	21		(378)
Depreciation and amortization	101	485	977	2,661	482	515	105	5,326
Impairment losses	403	105	3	420	850	60	10	1,851
Reversals of impairment losses		1		(210)	(16)		(1)	(226)
<b>Operating income</b>	<b>362</b>	<b>493</b>	<b>3,028</b>	<b>3,767</b>	<b>(23)</b>	<b>1,205</b>	<b>908</b>	<b>9,740</b>
<b>Capital expenditure</b>	<b>99</b>	<b>313</b>	<b>1,046</b>	<b>2,160</b>	<b>924</b>	<b>1,294 <sup>(3)</sup></b>	<b>84</b>	<b>5,920</b>

(1) Segment revenues include both revenues from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(2) Figures restated retrospectively to reflect the new IFRS 11.

(3) Does not include €1 million regarding units classified as "held for sale".

## Financial position by segment

### At December 31, 2014

Millions of euro	Sales	GEM	Infra. & Networks	Iberia and Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	Total
Property, plant and equipment	34	7,048	15,079	35,816	6,702	11,765	527	76,971
Intangible assets	779	254	122	26,389	912	2,248	158	30,862
Trade receivables	3,897	3,300	2,224	3,837	406	440	(2,002)	12,102
Other	222	2,094	1,488	2,286	497	599	(187)	6,999
<b>Operating assets</b>	<b>4,932</b>	<b>12,696 <sup>(1)</sup></b>	<b>18,913</b>	<b>68,328 <sup>(3)</sup></b>	<b>8,517 <sup>(4)</sup></b>	<b>15,052</b>	<b>(1,504)</b>	<b>126,934</b>
Trade payables	2,999	3,448	3,363	4,308	748	892	(2,048)	13,710
Sundry provisions	241	1,085	1,807	4,744	2,572	193	698	11,340
Other	1,939	466	3,615	4,170	1,302	560	(541)	11,511
<b>Operating liabilities</b>	<b>5,179</b>	<b>4,999 <sup>(2)</sup></b>	<b>8,785</b>	<b>13,222</b>	<b>4,622 <sup>(5)</sup></b>	<b>1,645</b>	<b>(1,891)</b>	<b>36,561</b>

(1) Of which €347 million regarding units classified as "held for sale".

(2) Of which €22 million regarding units classified as "held for sale".

(3) Of which €14 million regarding units classified as "held for sale".

(4) Of which €4,255 million regarding units classified as "held for sale".

(5) Of which €2,790 million regarding units classified as "held for sale".

## At December 31, 2013 restated <sup>(1)</sup>

Millions of euro	Sales	GEM	Infra. & Networks	Iberia and Latin America	Int'l	Renewable Energy	Other, eliminations and adjustments	Total
Property, plant and equipment	39	9,438	15,096	35,474	9,847	10,075	506	80,475
Intangible assets	775	550	117	27,208	1,888	2,205	281	33,024
Trade receivables	4,015	3,061	1,696	3,582	524	364	(1,856)	11,386
Other	250	2,482	1,251	1,973	460	404	(182)	6,638
<b>Operating assets</b>	<b>5,079</b>	<b>15,531 <sup>(2)</sup></b>	<b>18,160</b>	<b>68,237</b>	<b>12,719 <sup>(3)</sup></b>	<b>13,048 <sup>(5)</sup></b>	<b>(1,251)</b>	<b>131,523</b>
Trade payables	3,070	3,578	2,486	3,627	784	750	(1,926)	12,369
Sundry provisions	234	1,197	2,536	4,061	2,742	178	700	11,648
Other	1,959	729	2,996	4,921	1,119	490	(1,556)	10,658
<b>Operating liabilities</b>	<b>5,263</b>	<b>5,504</b>	<b>8,018</b>	<b>12,609</b>	<b>4,645 <sup>(4)</sup></b>	<b>1,418 <sup>(6)</sup></b>	<b>(2,782)</b>	<b>34,675</b>

(1) Figures restated retrospectively to reflect the new IFRS 11 and IFRS 32, as well as the impact of the completion of the purchase price allocation process for the assets acquired and liabilities assumed in the acquisitions of a number of companies of the Renewable Energy Division. For more details, please see note 4.

(2) Of which €6 million regarding units classified as "held for sale".

(3) Of which €194 million regarding units classified as "held for sale".

(4) Of which €1 million regarding units classified as "held for sale".

(5) Of which €26 million regarding units classified as "held for sale".

(6) Of which €8 million regarding units classified as "held for sale".

The following table reconciles segment assets and liabilities and the consolidated figures.

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated
<b>Total assets</b>	<b>166,634</b>	<b>163,865</b>
Equity investments accounted for using the equity method	872	1,372
Non-current financial assets	3,645	5,970
Long-term tax receivables included in "Other non-current assets"	501	476
Current financial assets	3,984	5,607
Derivatives	6,835	3,134
Cash and cash equivalents	13,088	7,873
Deferred tax assets	7,067	6,186
Tax receivables	1,547	1,709
Financial and tax assets of "Assets held for sale"	2,161	15
<b>Segment assets</b>	<b>126,934</b>	<b>131,523</b>
<b>Total liabilities</b>	<b>115,489</b>	<b>111,033</b>
Long-term borrowings	48,655	50,905
Short-term borrowings	3,252	2,484
Current portion of long-term borrowings	5,125	4,658
Current financial liabilities	1,177	1,100
Derivatives	7,882	5,156
Deferred tax liabilities	9,220	10,795
Income tax payable	253	286
Other tax payables	887	963
Financial and tax liabilities of "Liabilities held for sale"	2,477	11
<b>Segment liabilities</b>	<b>36,561</b>	<b>34,675</b>



# Revenue

## 7.a Revenue from sales and services - €73,328 million

Millions of euro

	2014	2013 restated	Change	
Revenue from the sale of electricity	48,062	53,417	(5,355)	-10.0%
Revenue from the transport of electricity	9,142	9,612	(470)	-4.9%
Fees from network operators	783	855	(72)	-8.4%
Transfers from the Electricity Equalization Fund and similar bodies	1,857	1,620	237	14.6%
Revenue from the sale of natural gas	3,628	3,962	(334)	-8.4%
Revenue from the transport of natural gas	459	490	(31)	-6.3%
Revenue from fuel sales	5,659	2,635	3,024	114.8%
Connection fees to electricity and gas networks	843	998	(155)	-15.5%
Revenue from the sale of environmental certificates	1,238	345	893	-
Revenue from other sales and services	1,657	1,493	164	11.0%
<b>Total</b>	<b>73,328</b>	<b>75,427</b>	<b>(2,099)</b>	<b>-2.8%</b>

Revenue from the sale of electricity amounted to €48,062 million (€53,417 million in 2013) and include sales of electricity to end users amounting to €29,933 million (€31,595 million in 2013), sales of electricity to wholesale buyers totaling €14,428 million (€17,314 million in 2013) and revenue from electricity trading activities amounting to €3,701 million (€4,508 million in 2013). The decrease is attributable to the decline in quantities sold to end users and to wholesale buyers, owing to the contraction in electricity demand in the main countries in which the Group operates.

Revenue from the transport of electricity declined by €470 million, largely due to the same developments described above. Revenue from the transport of gas amounted to €459 million, down €31 million compared with the previous year.

Transfers from the Electricity Equalization Fund and similar bodies rose by €237 million, mainly due to a rise in tran-

sfers of about €217 million, which were granted under the new regulatory framework for the extra-peninsular areas of Spain.

Revenue from the sale of natural gas amounted to €3,628 million (€3,962 million in 2013), including sales to end users in Italy of €1,632 million and sales to end users abroad of €1,996 million.

"Revenue from fuel sales" amounted to €5,659 million, and in 2014 comprised sales of natural gas of €5,536 million (€2,161 million in 2013) and sales of other fuels amounting to €123 million (€474 million in 2013). The sharp rise with respect to the previous year reflects market trends, which in penalizing the use of fuels for power generation prompted an increase in sales of fuel.

"Revenue from the sale of environmental certificates" increased by €893 million largely due to a rise in sales of environmental certificates and CO<sub>2</sub> emissions allowances.

The table below gives a breakdown of revenues from sales and services by geographical area.

Millions of euro

	2014	2013 restated
Italy	28,567	32,451
<b>Europe</b>		
Iberian peninsula	20,378	20,836
France	1,375	1,498
Switzerland	711	707
Germany	3,154	3,245
Austria	4	9
Slovenia	22	20
Slovakia	1,367	1,406
Romania	1,046	1,152
Greece	61	82
Bulgaria	8	8
Russia	1,336	1,637
Other European countries	4,607	2,249
<b>Americas</b>		
United States	455	307
Canada	-	8
Mexico	135	129
Brazil	3,100	2,818
Chile	2,820	2,666
Peru	1,034	950
Colombia	2,087	1,930
Argentina	453	650
Other South American countries	158	460
<b>Other</b>		
Africa	1	-
Asia	449	209
<b>Total</b>	<b>73,328</b>	<b>75,427</b>

## 7.b Other revenue and income - €2,463 million

Millions of euro

	2014	2013 restated	Change	
Operating grants	13	25	(12)	-48.0%
Grants for environmental certificates	923	822	101	12.3%
Capital grant (electricity and gas business)	12	48	(36)	-75.0%
Sundry reimbursements	132	183	(51)	-27.9%
Gains on disposal of interests in subsidiaries, associates, joint ventures, joint operations and non-current assets held for sale	292	943	(651)	-69.0%
Gains on remeasurement at fair value after changes in control	82	21	61	-
Gains on disposal of property, plant and equipment and intangible assets	32	38	(6)	-15.8%
Service continuity bonuses	76	96	(20)	-20.8%
Other revenue	901	1,060	(159)	-15.0%
<b>Total</b>	<b>2,463</b>	<b>3,236</b>	<b>(773)</b>	<b>-23.9%</b>

"Grants for environmental certificates" increased by €101 million compared with the previous year. The item comprises

incentives granted to renewable generation plants or for energy efficiency initiatives.

“Sundry reimbursements” regard sundry reimbursements from customers and suppliers totaling €86 million (€76 million in 2013) and insurance indemnities in the amount of €46 million (€107 million in 2013).

Gains on disposal of interests in companies amounted to €292 million in 2014, down €651 million on 2013, mainly due to the impact of the proceeds from the disposal of Artic Russia (€964 million) in 2013. Gains in 2014 were mainly accounted for by the following: €123 million from the disposal of the interest in LaGeo (a company operating in the geothermal generation sector in El Salvador), €82 million from the adjustment of the price for Artic Russia under the earn-out clause in the sale agreement with the buyer prior to the closing and €31 million from the sale of 100% of Enel Green Power France.

“Gains on remeasurement at fair value after changes in control” amounted to €82 million. They include the remeasurement at fair value of the assets and liabilities pertaining to the Group: after the loss of control, as from January 1, 2014, of SE Hydropower following changes in governance arrangements (€50 million); already held by Enel prior to the acquisition of full control of Inversiones Gas Atacama (€29 million) and Buffalo Dunes Wind Project (€3 million).

The decrease in “Other revenue” is mainly due to the impact in 2013 of the government grant to the Argentine distribution company Edesur with Resolución 250/2013 under the *Mecanismo de Monitoreo de Costos*.

## Costs

### 8.a Electricity, gas and fuel purchases - €36,928 million

Millions of euro

	2014	2013 restated	Change	
Electricity	23,317	27,325	(4,008)	-14.7%
Gas	8,388	6,141	2,247	36.6%
Nuclear fuel	206	202	4	2.0%
Other fuels	5,017	5,286	(269)	-5.1%
<b>Total</b>	<b>36,928</b>	<b>38,954</b>	<b>(2,026)</b>	<b>-5.2%</b>

Purchases of electricity comprise those from the Acquirente Unico (Single Buyer) in the amount of €4,395 million (€5,135 million in 2013) and purchases from the Energy Markets Operator (GME) in the amount of €1,690 million (€4,451 million in 2013). The decrease in the aggregate mainly regards the reduction in costs for electricity purchases on electricity exchanges and on national and international markets, essentially due to the decline in demand.

Purchases of gas increased by €2,247 million, largely due to an increase in intermediation activities on the fuel market. Purchases of nuclear fuel were virtually unchanged from the previous year.

Purchases of other fuels diminished by €269 million to €5,017 million in 2014.

## 8.b Services and other materials - €17,179 million

Millions of euro

	2014	2013 restated	Change	
Transmission and transport	8,979	9,274	(295)	-3.2%
Maintenance and repairs	1,301	1,331	(30)	-2.3%
Telephone and postal costs	221	252	(31)	-12.3%
Communication services	115	118	(3)	-2.5%
IT services	305	264	41	15.5%
Leases and rentals	609	585	24	4.1%
Other services	3,374	3,324	50	1.5%
Other materials	2,275	1,550	725	46.8%
<b>Total</b>	<b>17,179</b>	<b>16,698</b>	<b>481</b>	<b>2.9%</b>

Costs for services and other materials amounted to €17,179 million in 2014, an increase on 2013 due largely to a rise in costs for the purchase of other materials, including, among other things, the change in stocks of CO<sub>2</sub> emissions allowances and environmental certificates.

This rise was only partly offset by a reduction in costs for transmission and transport associated with the decline in electricity consumption in the main markets in which the Group operates.

## 8.c Personnel - €4,864 million

Millions of euro

	2014	2013 restated	Change	
Wages and salaries	3,329	3,368	(39)	-1.2%
Social security contributions	931	913	18	2.0%
Post-employment benefits	111	117	(6)	-5.1%
Other long-term benefits	70	(898)	968	-
Early retirement incentives	313	955	(642)	-67.2%
Other costs	110	100	10	10.0%
<b>Total</b>	<b>4,864</b>	<b>4,555</b>	<b>309</b>	<b>6.8%</b>

Personnel costs amounted to €4,864 million in 2014, an increase of €309 million.

The workforce contracted by 1,381, reflecting the balance between hirings and terminations (a decrease of 1,404), only partially offset by the increase associated with the change in the scope of consolidation (an increase of 23 employees).

The decrease in "Other long-term benefits" largely reflects the termination of the transition-to-retirement plan in Italy

at the end of 2013, given that no employees had participated and a significant number of those entitled to do so had subsequently opted to participate in the mechanism provided for under Article 4 of Law 92/2012. For more details on employee benefit plans, please see note 33 below.

"Early retirement incentives" amounted to €313 million in 2014, net of amounts reversed, and mainly regard the early retirement plan introduced in Spain and, to a lesser extent, an early retirement plan in Italy. In 2013, the aggregate had mainly reported accruals recognized in Italy in respect of the

mechanism adopted in agreements with the unions to implement the provisions of Article 4, paragraphs 1-7 *ter*, of Law 92/2012 (the Fornero Act).

The table below shows the average number of employees by category compared with the previous year, and the actual number of employees at December 31, 2014.

	Average number <sup>(1)</sup>		Headcount <sup>(1)</sup>	
	2014	2013	Change	at Dec. 31, 2014 <sup>(2)</sup>
Senior managers	1,552	1,374	178	1,538
Middle managers	14,263	14,552	(289)	14,399
Office staff	38,224	39,833	(1,609)	37,508
Blue collar	16,709	17,224	(515)	15,516
<b>Total</b>	<b>70,748</b>	<b>72,983</b>	<b>(2,235)</b>	<b>68,961</b>

(1) For companies consolidated on a proportionate basis, the headcount corresponds to Enel percentage share of the total.

(2) Of which 4,430 in units classified as "held for sale".

## 8.d Depreciation, amortization and impairment losses - €12,670 million

Millions of euro

	2014	2013 restated	Change	
Depreciation	4,433	4,520	(87)	-1.9%
Amortization	771	806	(35)	-4.3%
Impairment losses	7,733	1,851	5,882	-
Reversals of impairment losses	(267)	(226)	(41)	-18.1%
<b>Total</b>	<b>12,670</b>	<b>6,951</b>	<b>5,719</b>	<b>82.3%</b>

"Depreciation and amortization" decreased by €122 million in 2014 (comprising property, plant and equipment and intangible assets), partly due to the extension of the useful life

of nuclear power plants and conventional thermal plants in Spain and Slovakia.

Millions of euro

	2014	2013 restated	Change	
Impairment losses				
Property, plant and equipment	2,886	159	2,727	
Investment property	18	12	6	50.0%
Intangible assets	744	46	698	-
Goodwill	194	745	(551)	-74.0%
Trade receivables	997	862	135	15.7%
Assets classified as held for sale	2,878	14	2,864	-
Other assets	16	13	3	23.1%
Total impairment losses	7,733	1,851	5,882	-
Reversals of impairment losses				
Property, plant and equipment	3	6	(3)	-50.0%
Trade receivables	250	216	34	15.7%
Other assets	14	4	10	-
Total reversals of impairment losses	267	226	41	18.1%

"Impairment losses" increased by €5,882 million on 2013.

Impairment losses on property, plant and equipment mainly regarded:

- > thermal power plants in Italy in the amount of €2,096 million, in view of the continuing economic crisis in Italy and the impact of that crisis on conventional power generation. The model used in the impairment testing was a unlevered discounted cash flow (DCF) approach applied to pre-tax amounts, with a time horizon based on an explicit period of five years plus a terminal value calculated as a perpetuity with stable growth. The assumptions concerning the growth rate and the discount rate were analogous to those adopted for other CGUs. In particular, the growth rate, which was determined on the basis of the average forecasts for medium/long-term electricity demand, was set at 1.1%, while the discount rate was determined as the pre-tax WACC of 8.8%.
- > power plants in Russia in the amount of €205 million, in view of market forecasts for that country. The parameters used in the impairment test were the same as those used for the Enel Russia CGU discussed in note 18 below;
- > leased assets in Slovakia, in particular the Gabčíkovo hydroelectric plant in the amount of €103 million, following the renegotiation that brought forward the expiry of the contract to 2015, from its original expiration date of 2036. The impairment loss was recognized in advance of the date on which the intention of management to continue the disposal of the Slovakian assets was definitively confirmed. Accordingly, it does not form part

of the losses recognized on assets held for sale in their valuation under IFRS 5;

- > the property, plant and equipment of Enel Green Power Hellas in the amount of €91 million.

Impairment losses on intangible assets amounted to €744 million. They mainly regarded:

- > the water rights held by Endesa Chile to use the water of a number of rivers in the Aysén region of that country in the amount of €589 million. The loss was recognized in reflection of the uncertainty concerning the continuation of the project owing to a number of legal and procedural restrictions;
- > concessions and similar rights of Enel Green Power Hellas in the amount of €55 million;
- > a number of smaller concessions in Portugal (HidroMondego in the amount of €35 million) and Spain (Distribuidora Eléctrica del Puerto de la Cruz in the amount of €31 million).

Impairment losses on goodwill were recognized following the impairment tests. More details are provided in note 18.

Finally, impairment losses on assets classified as held for sale amounted to €2,878 million. They regard the property, plant and equipment and goodwill of Slovenské elektrárne. The impairment loss was determined on the basis of the non-binding offers received so far to align the carrying amount of its assets with their estimated realizable value, net of transaction costs.

## 8.e Other operating expenses - €2,362 million

Millions of euro

	2014	2013 restated	Change	
Provisions for risks and charges	66	80	(14)	-17.5%
System charges - emissions allowances	341	335	6	1.8%
System charges - energy efficiency certificates	105	295	(190)	-64.4%
System charges - green certificates	144	270	(126)	-46.7%
Losses on disposal of property, plant and equipment and intangible assets	21	40	(19)	-47.5%
Taxes and duties	1,275	1,466	(191)	-13.0%
Other	410	335	75	22.4%
<b>Total</b>	<b>2,362</b>	<b>2,821</b>	<b>(459)</b>	<b>-16.3%</b>

Other operating expenses amounted to €2,362 million, a decrease of €459 million, mainly due to a reduction of €190 million in charges on white certificates and a decline of €126 million in costs for the purchase of green certificates. Another factor was the decrease of €191 million in taxes and

duties, largely reflecting developments in taxes to support government social programs. These changes were partly offset by the increase in other expenses, mainly associated with the electricity business in Spain.

## 8.f Capitalized costs - €(1,524) million

Millions of euro

	2014	2013 restated	Change	
Personnel	(719)	(713)	(6)	-0.8%
Materials	(391)	(365)	(26)	-7.1%
Other	(414)	(356)	(58)	-16.3%
<b>Total</b>	<b>(1,524)</b>	<b>(1,434)</b>	<b>(90)</b>	<b>-6.3%</b>

Capitalized costs consist of €719 million in personnel costs and €391 million in materials costs (compared with €713 million and €365 million, respectively, in 2013).

## 9. Net income/(expense) from commodity contracts measured at fair value - €(225) million

Net expense on commodity contracts measured at fair value amounted to €225 million, the result of net unrealized expense on open positions in derivatives at December 31,

2014 in the amount of €268 million (€114 million in 2013) and net realized gains on positions closed during the year of €43 million (€264 million in net expense in 2013).

Millions of euro

	2014	2013 restated		Change
<b>Income</b>				
Unrealized on positions open at the end of the period	4,455	1,815	2,640	-
Realized on positions closed during the period	3,793	3,966	(173)	-4.4%
<b>Total income</b>	<b>8,248</b>	<b>5,781</b>	<b>2,467</b>	<b>42.7%</b>
<b>Charges</b>				
Unrealized on positions open at the end of the period	(4,723)	(1,929)	(2,794)	-
Realized on positions closed during the period	(3,750)	(4,230)	480	-11.3%
<b>Total charges</b>	<b>(8,473)</b>	<b>(6,159)</b>	<b>(2,314)</b>	<b>37.6%</b>
<b>NET INCOME/(EXPENSE) FROM COMMODITY CONTRACTS MEASURED AT FAIR VALUE</b>	<b>(225)</b>	<b>(378)</b>	<b>153</b>	<b>-40.5%</b>

## 10. Net financial income/(expense) from derivatives - €1,162 million

Millions of euro

	2014	2013 restated		Change
<b>Income from derivatives:</b>				
- income from cash flow hedge derivatives	1,532	232	1,300	-
- income from derivatives at fair value through profit or loss	468	454	14	3.1%
- income from fair value hedge derivatives	78	70	8	11.4%
<b>Total income from derivatives</b>	<b>2,078</b>	<b>756</b>	<b>1,322</b>	<b>-</b>
<b>Expense on derivatives:</b>				
- expense on cash flow hedge derivatives	434	803	(369)	-46.0%
- expense on derivatives at fair value through profit or loss	476	397	79	19.9%
- expense on fair value hedge derivatives	6	10	(4)	-40.0%
<b>Total expense from derivatives</b>	<b>916</b>	<b>1,210</b>	<b>(294)</b>	<b>-24.3%</b>
<b>TOTAL FINANCIAL INCOME/(EXPENSE) FROM DERIVATIVES</b>	<b>1,162</b>	<b>(454)</b>	<b>1,616</b>	<b>-</b>

Net income from cash flow hedge derivatives amounted to €1,098 million, while derivatives at fair value through profit or loss posted net expense of €8 million.

By contrast, the net performance of fair value hedge derivatives produced net income of €72 million.

For more details on derivatives, please see note 43 "Derivatives and hedge accounting".



# 11. Net other financial income/(expense) - €(4,292) million

## Other financial income

Millions of euro

	2014	2013 restated	Change
<b>Interest income from financial assets (current and non-current):</b>			
- interest income at effective interest rate on non-current securities and receivables	43	57	(14) -24.6%
- interest income at effective interest rate on short-term financial investments	217	292	(75) -25.7%
<b>Total interest income at the effective interest rate</b>	<b>260</b>	<b>349</b>	<b>(89) -25.5%</b>
<b>Financial income on non-current securities at fair value through profit or loss</b>	<b>6</b>	<b>3</b>	<b>3 -</b>
<b>Positive exchange rate differences</b>	<b>529</b>	<b>846</b>	<b>(317) -37.5%</b>
<b>Income on equity investments</b>	<b>4</b>	<b>86</b>	<b>(82) -95.3%</b>
<b>Other income</b>	<b>449</b>	<b>409</b>	<b>40 9.8%</b>
<b>TOTAL OTHER FINANCIAL INCOME</b>	<b>1,248</b>	<b>1,693</b>	<b>(445) -26.3%</b>

"Other financial income" amounted to €1,248 million, a decrease of €445 million compared with the previous year. The reduction reflects:

- > a decrease in positive exchange rate differences, mainly reflecting the impact of developments in exchange rates on net financial debt denominated in currencies other than the euro;
- > a decrease in income on equity investments to €4 million (€86 million in 2013). The decline is due to the strong

results posted in 2013 owing to the disposal of Medgaz (€64 million) and Endesa Gas T&D (€12 million);

- > a decrease of €89 million in interest income at the effective interest rate, mainly attributable to deposits.

These factors were partly offset by an increase of €40 million in other income, which included the impact of the renegotiation of the finance lease for the Gabčíkovo hydroelectric plant in Slovakia, which brought forward the expiration of the lease to 2015, from the original 2036.

## Other financial expense

Millions of euro

	2014	2013 restated	Change
<b>Interest expense on financial debt (current and non-current):</b>			
- interest expense on bank borrowings	360	543	(183) -33.7%
- interest expense on bonds	2,476	2,170	306 14.1%
- interest expense on other borrowings	116	107	9 8.4%
<b>Total interest expense</b>	<b>2,952</b>	<b>2,820</b>	<b>132 4.7%</b>
<b>Expense on securities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Negative exchange rate differences</b>	<b>1,814</b>	<b>580</b>	<b>1,234 -</b>
<b>Accretion of post-employment and other employee benefits</b>	<b>197</b>	<b>161</b>	<b>36 22.4%</b>
<b>Accretion of other provisions</b>	<b>200</b>	<b>202</b>	<b>(2) -1.0%</b>
<b>Charges on equity investments</b>	<b>3</b>	<b>7</b>	<b>(4) -57.1%</b>
<b>Other charges</b>	<b>374</b>	<b>273</b>	<b>101 37.0%</b>
<b>TOTAL OTHER FINANCIAL EXPENSE</b>	<b>5,540</b>	<b>4,043</b>	<b>1,497 37.0%</b>

"Other financial expense" amounted to €5,540 million, an increase of €1,497 million on 2013. The change reflects the following factors:

- > an increase in interest expense, largely owing to an increase in gross financial debt compared with 2013;
- > an increase of €1,234 million in negative exchange rate differences, attributable to the depreciation of the euro against the other currencies in which bonds are issued. This factor was essentially offset by an increase in income

- on cash flow hedge derivatives on exchange rates;
- > other charges, which amounted to €374 million in 2014 (€273 million in 2013), reflecting the effect of the reversal in 2013 of the impairment loss on the receivable in respect of the National Nuclear Fund in Slovakia (€66 million) and the impairment adjustment of financial assets (€92 million) associated with service concession arrangements as a result of the rate revision affecting the Brazilian companies Ampla and Coelce in 2014.

## 12. Share of income/(losses) of equity investments accounted for using the equity method - €(35) million

Millions of euro

	2014	2013 restated	Change	
Share of income of associates	229	306	(77)	-25.2%
Share of losses of associates	(87)	(89)		-2.2%
Impairment losses	(177)	-	(177)	-
<b>Total</b>	<b>(35)</b>	<b>217</b>	<b>(252)</b>	<b>-</b>

The share of income and losses of equity investments accounted for using the equity method decreased by €252 million compared with the previous year. The contraction was largely attributable to the impairment loss on the investment in Centrales Hydroaysén (as a result of the uncertainty concerning the development of the project to build a hydroelectric plant in Chile) and the effects of the impairment testing of the Enel Green Power Hellas CGU with regard to the "Elica 2" equity-accounted investments as a result of the persistent adverse economic climate.

tainty concerning the development of the project to build a hydroelectric plant in Chile) and the effects of the impairment testing of the Enel Green Power Hellas CGU with regard to the "Elica 2" equity-accounted investments as a result of the persistent adverse economic climate.

## 13. Income taxes - €(850) million

Millions of euro

	2014	2013 restated	Change	
Current taxes	1,968	2,371	(403)	-17.0%
Adjustments for income taxes related to prior years	(119)	(177)	58	-32.8%
<b>Total current taxes</b>	<b>1,849</b>	<b>2,194</b>	<b>(345)</b>	<b>-15.7%</b>
Deferred tax liabilities/(assets)	(2,699)	179	(2,878)	-
<b>Total</b>	<b>(850)</b>	<b>2,373</b>	<b>(3,223)</b>	<b>-</b>

Income taxes for 2014 showed a credit position of €850 million, compared with a liability of €2,373 million in 2013.

Of the total change, €3,018 million is attributable to the decline in deferred taxation compared with the previous year, mainly reflecting:

- > the recognition of deferred tax assets of €1,392 million in respect of Enel Iberoamérica (formerly Enel Energy Europe) following the distribution of dividends associated

with the extraordinary corporate transactions involving Endesa in the last Quarter of 2014;

- > the deferred tax benefit in respect of the impairment losses on property, plant and equipment and intangible assets other than goodwill, recognized following impairment testing at the end of the year;
- > the deferred tax impact of changes in tax rates, which generated a net benefit of €138 million, broken down as follows:

- a reduction of €747 million in taxes in Spain as a result of the reduction in the tax rate enacted by the Spanish government in December 2014 from the existing 30% to 28% in 2015 and 25% in 2016;
- a reduction of €69 million in taxes in Peru following the progressive reduction in the rate from the current 30% to 26% in 2019;
- an increase of €288 million in taxes in Chile with the progressive rise in the tax rate from 20% to 27%;
- an increase of €24 million in taxes in Colombia as a result of the temporary increase in the tax rate from 34% to 43% until 2018;
- an increase of €366 million in taxes due to the adjustment of deferred taxation in Italy following a court ruling that the IRES surtax (the so-called Robin Hood Tax) was unconstitutional following a long-running administrative proceeding.

With its decision 10 of February 11, 2015, the Constitutional Court ruled that the "Robin Hood Tax" was unconstitutional, because:

- a) it is levied on all entrepreneurial income rather than just "windfall profits";
- b) it is a structural tax, as there is no temporal limit to its scope of application or mechanisms to determine whe-

ther the conditions that prompted its introduction persist;

- c) it is a tax that is not designed to protect consumers, given that the prohibition on passing its cost on through consumer prices is difficult to enforce effectively.

The Court also specified that the ruling would take effect as from the day following publication of the decision in the *Gazzetta Ufficiale*. Accordingly, in preparing these financial statements, deferred taxes were calculated on the basis of the rates that are expected to apply at the time of reversal (excluding the Robin Hood Tax).

As regards current taxes, the main changes compared with the previous year were:

- > the benefit of the reduction from 10.5% to 6.5% in the rate for the IRES surtax applicable in 2014 to a number of Italian companies;
- > the effect of losses on goodwill recognized in 2013 and 2014 with no corresponding tax benefit.

The following table reconciles the theoretical tax rate with the effective tax rate. Please note that the estimated taxes of Group companies outside of Italy were a negative €1,885 million (compared with €861 million in 2013).

Millions of euro

	2014	2013 restated
Income before taxes	(78)	7,153
Theoretical taxes	(21)	1,967
Theoretical tax effect on impairment losses on goodwill	245	205
Tax credit from distribution of Endesa dividends	(1,392)	-
Impact on deferred taxation of changes in tax rates	(146)	-
IRES surtax (Decree Law 112/2008)	188	353
IRAP	320	336
Other differences, effect of different foreign tax rates, and minor items	(44)	(488)
<b>Total</b>	<b>(850)</b>	<b>2,373</b>

## 14. Basic and diluted earnings per share

Both metrics are calculated on the basis of the average number of ordinary shares in the period, equal to 9,403,357,795

shares, adjusted for the diluting effect of outstanding stock options (none in both periods).

Millions of euro

	2014	2013 restated	Change	
Net income from continuing operations attributable to shareholders of the Parent Company (millions of euro)	517	3,235	(2,718)	-84.0%
Net income from discontinued operations attributable to shareholders of the Parent Company (millions of euro)	-	-	-	-
Net income attributable to shareholders of the Parent Company (millions of euro)	517	3,235	(2,718)	-84.0%
Number of ordinary shares	9,403,357,795	9,403,357,795	-	-
Dilutive effect of stock options	-	-	-	-
Basic and diluted earnings per share (euro)	0.05	0.34	(0.30)	-87.2%
Basic and diluted earnings from continuing operations per share (euro)	0.05	0.34	(0.30)	-86.9%
Basic and diluted earnings from discontinued operations per share (euro)	-	-	-	-

Please note that existing stock option plans for top management could dilute basic earnings per share in the future. For more information on those plans, please see the appropriate section of these notes.

Between the balance sheet date and the date of publica-

tion of the financial statements, no events or transactions took place that changed the number of ordinary shares or potential ordinary shares in circulation at the end of the year.

## 15. Property, plant and equipment - €73,089 million

Changes in property, plant and equipment for 2014 are shown below.

Millions of euro	Land	Buildings	Plant and machinery	Industrial and commercial equipment
Cost	561	11,084	147,619	442
Accumulated depreciation	-	5,685	83,518	352
<b>Balance at Dec. 31, 2013 restated</b>	<b>561</b>	<b>5,399</b>	<b>64,101</b>	<b>90</b>
Capital expenditure	6	109	1,189	18
Assets entering service	35	299	2,969	2
Exchange rate differences	(2)	(300)	(333)	-
Change in scope of consolidation	10	(10)	14	-
Disposals	-	(16)	(26)	(1)
Depreciation	-	(191)	(4,036)	(19)
Impairment losses	(32)	(721)	(1,636)	(7)
Reversals of impairment losses	-	-	3	-
Other changes	(5)	42	150	-
Remeasurement at fair value after changes in control	-	-	50	-
Reclassification from/to "Assets held for sale"	(15)	(802)	(1,525)	(9)
<b>Total changes</b>	<b>(3)</b>	<b>(1,590)</b>	<b>(3,181)</b>	<b>(16)</b>
Cost	558	8,711	144,890	386
Accumulated depreciation	-	4,902	83,970	312
<b>Balance at Dec. 31, 2014</b>	<b>558</b>	<b>3,809</b>	<b>60,920</b>	<b>74</b>

Other assets	Leased assets	Leasehold improvements	Assets under construction and advances	Total
1,414	1,179	284	8,764	171,347
1,133	215	181	-	91,084
<b>281</b>	<b>964</b>	<b>103</b>	<b>8,764</b>	<b>80,263</b>
46	13	7	4,631	6,019
47	(1)	38	(3,389)	-
(1)	7	-	(202)	(831)
1	43	4	330	392
(4)	-	(1)	(12)	(60)
(92)	(54)	(23)	-	(4,415)
(4)	(105)	-	(381)	(2,886)
-	-	-	-	3
29	-	3	208	427
-	-	-	-	50
(13)	(2)	-	(3,507)	(5,873)
<b>9</b>	<b>(99)</b>	<b>28</b>	<b>(2,322)</b>	<b>(7,174)</b>
1,332	1,092	332	6,442	163,743
1,042	227	201	-	90,654
<b>290</b>	<b>865</b>	<b>131</b>	<b>6,442</b>	<b>73,089</b>

"Plant and machinery" includes assets to be relinquished free of charge with a net carrying amount of €8,269 million (€9,864 million at December 31, 2013), largely regarding power plants in the Iberian peninsula and Latin America amounting to €4,820 million (€5,120 million at December 31, 2013) and the electricity distribution network in Latin America totaling €3,027 million (€3,170 million at December 31, 2013).

For more information on "leased assets", please see note 15.2 below.

The table below summarizes capital expenditure in 2014 by category. These expenditures, totaling €6,019 million, increased by €712 million on 2013.

Millions of euro

	2014	2013 restated
<b>Power plants:</b>		
- thermal	884	732
- hydroelectric	656	553
- geothermal	169	226
- nuclear	787	722
- alternative energy resources	1,256	928
<b>Total power plants</b>	<b>3,752</b>	<b>3,161</b>
Electricity distribution networks	2,115	2,012
Land, buildings and other assets and equipment	152	134
<b>TOTAL</b>	<b>6,019</b>	<b>5,307</b>

Capital expenditure on power plants amounted to €3,752 million, an increase of €591 million compared with the previous year, largely reflecting increased investment in hydroelectric facilities and other renewable generation plants by the Renewable Energy Division, as well as greater investment in conventional thermal plants and nuclear power plants abroad.

Capital expenditure for the electricity distribution network amounted to €2,115 million, up €103 million compared with the previous year. The increase is essentially attributable to greater investment in the medium- and low-voltage grids in Spain.

The "Change in scope of consolidation" for the period mainly concerned the acquisitions of control of the Chilean company Inversiones Gas Atacama, which operates in the natural gas transport and power generation sectors (€255 million), Buffalo Dunes Wind Project, a wind power company (€334 million), and other smaller acquisitions of the

Renewable Energy Division. These factors were partly offset (€62 million) by the change in control of SE Hydropower, under the sale agreements signed in 2010, which prompted a change in the method of accounting for the entity from full line-by-line consolidation to equity accounting (as it qualified as a joint operation); and by the disposal, on December 18, 2014, of the subsidiary Enel Green Power France, a renewables generator in France (€230 million).

"Impairment losses" on property, plant and equipment amounted to €2,886 million. For a more detailed analysis, please see note 8.d.

"Remeasurement at fair value after changes in control" amounted to €50 million. It is entirely accounted for by the hydroelectric plants of SE Hydropower, which were revalued to the extent of the holding already held following the Group's loss of control over the company and before their reclassification to "Assets held for sale".

"Other changes" include, among other items, the effect of the capitalization of interest on specific loans for capital

expenditure in the amount of €196 million (€128 million in 2013), as detailed in the following table.

Millions of euro

	2014	% rate	2013 restated	% rate	Change	
Enel Green Power	59	4.8%	36	4.7%	23	39.0%
Latin America	75	14.8%	45	12.8%	30	40.0%
Eastern Europe	41	2.6%	31	2.7%	10	24.4%
Iberia	6	3.0%	3	3.1%	3	50.0%
Italy	15	5.0%	13	5.5%	2	13.3%
<b>Total</b>	<b>196</b>		<b>128</b>		<b>68</b>	<b>34.7%</b>

"Reclassification from/to 'Assets held for sale'" essentially reports the property, plant and equipment of Slovenské elektrárne, SE Hydropower and other smaller companies, which in view of the decisions taken by management meets the requirements of IFRS 5 for classification as assets held for sale.

At December 31, 2014, contractual commitments to purchase property, plant and equipment amounted to €501 million.

## 15.1 Infrastructure within the scope of IFRIC 12 "Service concession arrangements"

Service concession arrangements, which are recognized in accordance with IFRIC 12, regard certain infrastructure serving concessions for electricity distribution in Brazil.

The following table summarizes the salient details of those concessions.

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	Amount recognized among financial assets at Dec. 31, 2014	Amount recognized among intangible assets at Dec. 31, 2014
Ampla Energia e Serviços	Brazilian government	Electricity distribution	Brazil	1997-2026	12 years	Yes	425	1,033
Companhia Energética do Ceará	Brazilian government	Electricity distribution	Brazil	1998-2028	13 years	Yes	244	905
<b>Total</b>							<b>669</b>	<b>1,938</b>

The value of the assets at the end of the concessions classified under financial assets has been measured at fair value.

For more details, please see note 45 "Assets measured at fair value".



## 15.2 Leases

The Group, in the role of lessee, has entered into finance lease agreements. They include certain assets which the Group is using in Spain, France, Greece, Italy and Latin America. More specifically, in Spain the assets relate to a 25-year “tolling” contract for which an analysis pursuant to IFRIC 4 identified an embedded finance lease, under which Endesa has access to the generation capacity of a combined-cycle plant for which the toller, Elecgas, has undertaken to transform gas into electricity in exchange for a toll at a rate of 9.62%. The other lease agreements regard wind plants that the Group uses in Italy (with a term of 18 years expiring in 2030-2031)

and a discount rate of between 4.95% and 5.5%.

In Latin America, the assets relate to leased power transmission lines and plants (Ralco-Charrúa), with a residual term of nine years on the lease at a 6.5% rate, a lease of a combined-cycle plant (Talara) with a term of nine years at a fixed rate of 5.8%, as well as a number of combined-cycle plants in Peru (residual lease term of two years bearing a floating rate).

The carrying amount of assets held under finance leases is reported in the following table.

Millions of euro

	2014	2013 restated	Change
Property, plant and equipment	865	964	(99)
Intangible assets	-	-	-
<b>Total</b>	<b>865</b>	<b>964</b>	<b>(99)</b>

The following table reports total minimum lease payments and the related present value, broken down by maturity.

Millions of euro	Future minimum payments	Present value of future minimum payments	Future minimum payments	Present value of future minimum payments
	at Dec. 31, 2014		at Dec. 31, 2013	
<b>Periods:</b>				
2015	102	62	126	77
2016-2019	398	250	461	295
beyond 2019	750	526	994	698
<b>Total</b>	<b>1,250</b>	<b>838</b>	<b>1,581</b>	<b>1,070</b>
Finance charges	(412)		(511)	
<b>Present value of minimum lease payments</b>	<b>838</b>		<b>1,070</b>	

The Group, in the role of lessee, has entered also into operating lease agreements regarding the use of certain assets for industrial purposes. The associated lease payments are expensed under “Services and other materials” and amounted to €274 million.

Costs for operating leases are broken down in the following table into minimum payments, contingent rents and sublease payments.

Millions of euro

	2014
Minimum lease payments	2,323
Contingent rents	-
Sublease payments	27
<b>Total</b>	<b>2,350</b>

The future minimum lease payments due by the Group under such leases break down by maturity as follows.

Millions of euro

<b>Periods:</b>	
within 1 year	265
beyond 1 year and within 5 years	1,000
beyond 5 years	1,058
<b>Total</b>	<b>2,323</b>

## 16. Investment property - €143 million

Investment property at December 31, 2014 amounted to €143 million, a decrease of €38 million for the year.

Millions of euro

	<b>2014</b>
Cost	209
Accumulated depreciation	28
<b>Balance at Dec. 31, 2013 restated</b>	<b>181</b>
Acquisitions	2
Entry into service	-
Exchange rate differences	(2)
Change in scope of consolidation	5
Depreciation	(8)
Impairment losses	(18)
Reversals of impairment losses	-
Other changes	(16)
Remeasurement at fair value after changes in control	-
Reclassification from/to "Assets held for sale"	(1)
<b>Total changes</b>	<b>(38)</b>
Cost	173
Accumulated depreciation	30
<b>Balance at Dec. 31, 2014</b>	<b>143</b>

The Group's investment property consists of properties in Italy, Spain and Chile, which are free of restrictions on the realizability of the investment property or the remittance of income and proceeds of disposal. In addition, the Group has no contractual obligations to purchase, construct or deve-

lop investment property or for repairs, maintenance or enhancements.

For more details on the valuation of investment property, please see notes 45 "Assets measured at fair value" and 45.1 "Assets and associated fair value".

## 17. Intangible assets - €16,612 million

Changes in intangible assets for 2014 are shown below.

Millions of euro	Development costs	Industrial patents and intellectual property rights	Concessions, licenses, trademarks and similar rights	Service concession arrangements	Other	Assets under development and advances	Total
Cost	46	2,515	15,871	3,671	1,626	494	24,223
Accumulated amortization	16	2,045	1,324	1,653	1,130	-	6,168
<b>Balance at Dec. 31, 2013 restated</b>	<b>30</b>	<b>470</b>	<b>14,547</b>	<b>2,018</b>	<b>496</b>	<b>494</b>	<b>18,055</b>
Capital expenditure	5	133	15	244	28	255	680
Assets entering service	-	162	4	-	26	(192)	-
Exchange rate differences	-	(3)	(140)	27	18	14	(84)
Change in scope of consolidation	-	-	(274)	-	5	90	(179)
Disposals	-	-	-	-	(8)	(1)	(9)
Amortization	(6)	(274)	(182)	(202)	(101)	-	(765)
Impairment losses	-	(1)	(624)	(20)	(61)	(38)	(744)
Other changes	(20)	24	(2)	(129)	13	2	(112)
Reclassification from/to "Assets held for sale"	-	(7)	(221)	-	-	(2)	(230)
<b>Total changes</b>	<b>(21)</b>	<b>34</b>	<b>(1,424)</b>	<b>(80)</b>	<b>(80)</b>	<b>128</b>	<b>(1,443)</b>
Cost	26	2,735	14,515	3,774	1,656	622	23,328
Accumulated amortization	17	2,231	1,392	1,836	1,240	-	6,716
<b>Balance at Dec. 31, 2014</b>	<b>9</b>	<b>504</b>	<b>13,123</b>	<b>1,938</b>	<b>416</b>	<b>622</b>	<b>16,612</b>

"Industrial patents and intellectual property rights" relate mainly to costs incurred in purchasing software and open-ended software licenses. The most important applications relate to invoicing and customer management, the development of Internet portals and the management of company systems. Amortization is calculated on a straight-line basis over the asset's residual useful life (on average between three and five years).

"Concessions, licenses, trademarks and similar rights" inclu-

de costs incurred by the gas companies and the foreign electricity distribution companies to acquire customers. Amortization is calculated on a straight-line basis over the average duration of the relationships with the customers acquired or the concessions.

The following table reports service concession arrangements that do not fall within the scope of IFRIC 12.

Millions of euro

	Grantor	Activity	Country	Concession period	Concession period remaining	Renewal option	at Dec. 31, 2014	Initial fair value
Endesa Distribución Eléctrica	-	Electricity distribution	Spain	Indefinite	Indefinite		5,679	5,673
Codensa	Republic of Colombia	Electricity distribution	Colombia	Indefinite	Indefinite		1,874	1,839
Chilectra	Republic of Chile	Electricity distribution	Chile	Indefinite	Indefinite		1,641	1,667
Empresa de Distribución Eléctrica de Lima Norte	Republic of Peru	Electricity distribution	Peru	Indefinite	Indefinite		654	548
Enel Distributie Muntenia	Romanian Ministry for the Economy	Electricity distribution	Romania	2005-2054	39 years	Yes	160	191

The item includes assets with an indefinite useful life in the amount of €9,848 million (€9,995 million at December 31, 2013), essentially accounted for by concessions for distribution activities in Spain (€5,679 million), Colombia (€1,874 million), Chile (€1,641 million) and Peru (€654 million), for which there is no statutory or currently predictable expiration date. On the basis of the forecasts developed, cash flows for each of the electricity distribution concessions are sufficient to recover the value of the intangible assets. For more information on "Service concession arrangements", please see note 22.

The "Change in scope of consolidation" for the period mainly regards the change in control of SE Hydropower un-

der the purchase agreements signed in 2010 (€276 million). This factor was only partly offset by the expansion of the scope of consolidation due to a number of acquisitions of the Renewable Energy Division.

"Impairment losses" amounted to €744 million in 2014; for more details, please see note 8.d.

"Reclassification from/to 'Assets held for sale'" largely regards the concession held by SE Hydropower, which in view of the decisions taken by management meets the requirements of IFRS 5 for classification as assets held for sale.

At December 31, 2014, contractual commitments for the acquisition of intangible assets amounted to €13 million.

## 18. Goodwill - €14,027 million

"Goodwill" amounted to €14,027 million, a decrease of €940 million.

Millions of euro	at Dec. 31, 2013 restated			Change in scope of consolidation	Exchange rate differences
	Cost	Accumulated impairment	Net carrying amount		
Endesa	10,999	(2,392)	8,607	-	-
Latin America	3,260	-	3,260	25	-
Enel Russia	1,119	(856)	263	-	(103)
Enel Green Power Group	960	(85)	875	(23)	53
Slovenské elektrárne	697	-	697	-	-
Enel Energia	579	-	579	-	-
Enel Distributie Muntenia	547	-	547	-	(1)
Enel Energie Muntenia	113	-	113	-	-
Nuove Energie	26	-	26	-	-
Enel Stoccaggi	1	(1)	-	-	-
<b>Total</b>	<b>18,301</b>	<b>(3,334)</b>	<b>14,967</b>	<b>2</b>	<b>(51)</b>

The "Change in scope of consolidation" mainly regards the acquisition of control of Buffalo Dunes Wind Project (€7 million) and Inversiones Gas Atacama (€25 million). These factors were partly offset by the disposal of the subsidiary Enel Green Power France (€29 million).

"Impairment losses" are recognized following impairment tests, as discussed below.

"Reclassification from/to 'Assets held for sale'" reports the reclassification of the goodwill of the Slovenské elektrárne CGU, which in view of the decisions taken by management meets the requirements of IFRS 5 for classification as assets held for sale.

The criteria used to identify the cash generating units (CGUs) were essentially based (in line with management's strategic and operational vision) on the specific characteristics of their business, on the operational rules and regulations of the markets in which Enel operates and on the corporate organization, as well as on the level of reporting monitored by management.

The recoverable value of the goodwill recognized was estimated by calculating the value in use of the CGUs using discounted cash flow models, which involve estimating expected future cash flows and applying an appropriate discount rate, selected on the basis of market inputs such as risk-free rates, betas and market risk premiums.

Cash flows were determined on the basis of the best infor-

mation available at the time of the estimate and drawn:

- > for the explicit period, from the 5-year business plan approved by the Board of Directors of the Parent Company containing forecasts for volumes, revenues, operating costs, capital expenditure, industrial and commercial organization and developments in the main macroeconomic variables (inflation, nominal interest rates and exchange rates) and commodity prices. In the previous year, the time horizon considered in preparing the business plan was 10 years. The change was made to bring policy in this area into line with international best practice. More specifically the explicit period of cash flows considered in impairment testing differs in accordance with the specific features and business cycles of the various CGUs being tested. These differences are generally associated with the different average times needed to build and bring into service the plant and other works that characterize the investments of the specific businesses that make up the CGU (conventional thermal generation, nuclear power, renewables, distribution, etc.);
- > for subsequent years, from assumptions concerning long-term developments in the main variables that determine cash flows, the average residual useful life of assets or the duration of the concessions.

More specifically, the terminal value was calculated as a perpetuity or annuity with a nominal growth rate equal to

Impairment losses		Reclassification from/to "Assets held for sale"		at Dec. 31, 2014	
		Cost	Accumulated impairment	Net carrying amount	
-	-	10,999	(2,392)	8,607	
-	-	3,285	-	3,285	
(160)	-	1,016	(1,016)	-	
(34)	-	990	(119)	871	
-	(697)	-	-	-	
-	-	579	-	579	
-	-	546	-	546	
-	-	113	-	113	
-	-	26	-	26	
-	-	1	(1)	-	
(194)	(697)	17,555	(3,528)	14,027	

the long-term rate of growth in electricity and/or inflation (depending on the country and business involved) and in any case no higher than the average long-term growth rate of the reference market. The value in use calculated as described above was found to be greater than the amount recognized on the balance sheet, with the exceptions di-

scussed below.

In order to verify the robustness of the value in use of the CGUs, sensitivity analyses were conducted for the main drivers of the values, in particular WACC and the long-term growth rate, the outcomes of which fully supported that value.

The table below reports the composition of the main goodwill values according to the company to which the CGU belongs,

along with the discount rates applied and the time horizon over which the expected cash flows have been discounted.

Millions of euro	Amount	Growth rate <sup>(1)</sup>	Discount rate pre-tax WACC <sup>(2)</sup>	Explicit period of cash flows	Terminal value <sup>(3)</sup>
<b>at Dec. 31, 2014</b>					
Endesa - Iberian peninsula <sup>(4)</sup>	8,607	1.92%	7.92%	5 years	Perpetuity
Endesa - Latin America	3,285	2.67%	8.48%	5 years	Perpetuity
Enel Russia	-	0.97%	14.99%	5 years	Perpetuity
Slovenské elektrárne	-				
Enel Romania <sup>(5)</sup>	659	2.07%	7.90%	5 years	Perpetuity
Enel Energia	579	0.13%	11.98%	5 years	15 years
Enel Green Power España	404	2.00%	7.90%	5 years	13 years
Enel Green Power Latin America	308	3.45%	8.53%	5 years	22 years
Enel Green Power North America	117	2.17%	7.46%	5 years	20 years
Enel Green Power Hellas	-	-	18.69%	5 years	21 years
Nuove Energie	26	0.29%	8.98%	10 years	16 years
Enel Green Power Italia	24	2.00%	8.15%	5 years	Perpetuity / 14 years <sup>(6)</sup>
Enel Green Power France	-				
Enel Green Power Romania	13	2.07%	8.26%	5 years	15 years
Enel Green Power Bulgaria	5	2.50%	8.27%	5 years	17 years
Enel Green Power South Africa	-	-	-	-	-

(1) Perpetual growth rate of cash flows after explicit period.

(2) Pre-tax WACC calculated using the iterative method: the discount rate that ensures that the value in use calculated with pre-tax cash flows is equal to that calculated with post-tax cash flows discounted with the post-tax WACC.

(3) The terminal value has been estimated on the basis of a perpetuity or an annuity with a rising yield for the years indicated in the column.

(4) Goodwill includes the portion referring to Enel Green Power España.

(5) Includes all companies operating in Romania.

(6) The terminal value for Enel Green Power Italia was estimated on the basis of a perpetuity for the hydroelectric and geothermal plants and an expected annuity with a rising yield for a period of 14 years for other renewables technologies (wind, solar, biomass).

At December 31, 2014, impairment testing of the CGU to which goodwill had been allocated found the following impairment losses:

> €365 million on the Enel Russia CGU (formerly Enel OGG-5), of which €160 million attributed to goodwill and the remainder to generation assets, originating in the expected contraction in future income flows in view of the continuing signs of economic slowdown and the consequent expected decrease in price growth in the medium term;

> €269 million on the Enel Green Power Hellas CGU, of which €34 million attributed to goodwill and the remainder to generation assets, the concessions and the development projects in the pipeline, originating in the continuing adverse economic conditions, which have led to a substantial reduction in rate subsidies.

At December 31, 2013, an impairment loss of €744 million had been recognized on the Enel Russia CGU (formerly Enel OGG-5).

Amount	Growth rate <sup>(1)</sup>	Discount rate pre-tax WACC <sup>(2)</sup>	Explicit period of cash flows	Terminal value <sup>(3)</sup>
at Dec. 31, 2013				
8,607	1.80%	8.40%	10 years	Perpetuity
3,260	-	8.90%	10 years	Perpetuity
263	1.20%	12.20%	10 years	Perpetuity
697	1.00%	8.80%	10 years	Perpetuity
660	2.40%	9.90%	10 years	Perpetuity
579	0.70%	12.70%	10 years	10 years
403	2.00%	7.90%	5 years	14 years
262	3.40%	8.50%	5 years	23 years
103	2.10%	7.70%	5 years	19 years
33	2.00%	13.60%	10 years	18 years
26	0.70%	9.90%	10 years	17 years
24	2.00%	10.00%	10 years	18 years
29	1.90%	7.60%	5 years	19 years
13	2.40%	10.60%	10 years	13 years
5	3.00%	8.20%	10 years	11 years
1	1.90%	9.80%	5 years	23 years



## 19. Deferred tax assets and liabilities - €7,067 million and €9,220 million

The following table details changes in deferred tax assets and liabilities by type of timing difference and calculated based on the tax rates established by applicable regulations. The ta-

ble also reports the amount of deferred tax assets that, where allowed, can be offset against deferred tax liabilities.

Millions of euro		Increase/ (Decrease) taken to statement	Increase/ (Decrease) taken to equity	Change in scope of consolidation	Other changes	Exchange rate differences	Reclassification from/to "Assets held for sale"	
	at Dec. 31, 2013 restated							at Dec. 31, 2014
<b>Deferred tax assets:</b>								
- differences in the value of intangible assets, and property, plant and equipment	1,891	452	4	(3)	(85)	(6)	(14)	2,239
- accruals to provisions for risks and charges and impairment losses with deferred deductibility	2,031	(307)	-	-	(35)	(5)	(518)	1,166
- tax loss carried forward	99	18	-	(1)	(16)	8	(3)	105
- measurement of financial instruments	460	2	291	-	(48)	(2)	(44)	659
- other items	1,705	1,116	28	(5)	93	(11)	(28)	2,898
<b>Total</b>	<b>6,186</b>	<b>1,281</b>	<b>323</b>	<b>(9)</b>	<b>(91)</b>	<b>(16)</b>	<b>(607)</b>	<b>7,067</b>
<b>Deferred tax liabilities:</b>								
- differences on non-current and financial assets	8,005	(599)	-	(50)	(26)	(106)	(459)	6,765
- measurement of financial instruments	170	42	298	-	(36)	(11)	(10)	453
- other items	2,620	(403)	(19)	8	3	5	(212)	2,002
<b>Total</b>	<b>10,795</b>	<b>(960)</b>	<b>279</b>	<b>(42)</b>	<b>(59)</b>	<b>(112)</b>	<b>(681)</b>	<b>9,220</b>
<b>Non-offsettable deferred tax assets</b>								<b>1,660</b>
<b>Non-offsettable deferred tax liabilities</b>								<b>4,052</b>
<b>Excess net deferred tax liabilities after any offsetting</b>								<b>(239)</b>

At December 31, 2014, "Deferred tax assets" totaled €7,067 million (€6,186 million at December 31, 2013).

The increase during the year amounted to €881 million, mainly reflecting:

- > the recognition of deferred tax assets by the subsidiary Enel Iberoamérica (formerly Enel Energy Europe) totaling €1,392 million in respect of the distribution of dividends in extraordinary corporate transactions involving Endesa in the last Quarter of 2014;
- > the recognition of deferred tax assets in respect of certain impairment losses on property, plant and

equipment considered non-deductible;

- > the reclassification to assets held for sale of Slovenské elektrárne;
- > uses and releases of the provisions for risks and charges;
- > the effects of the elimination of the Robin Hood Tax following a judicial ruling that the IRES surtax was unconstitutional.

It should also be noted that no deferred tax assets were recorded in relation to prior tax losses in the amount of €756 million because, on the basis of current estimates of future taxable income, it is not certain that such assets will be re-

covered. More specifically, the losses include those attributable to the holding companies located in the Netherlands in the amount of €263 million and to the Renewable Energy Division in the amount of €247 million.

“Deferred tax liabilities” amounted to €9,220 million at December 31, 2014 (€10,795 million at December 31, 2013). They essentially include the determination of the tax effects of the value adjustments to assets acquired as part of the final allocation of the cost of acquisitions made in the va-

rious years and the deferred taxation in respect of the differences between depreciation charged for tax purposes, including accelerated depreciation, and depreciation based on the estimated useful lives of assets. The difference compared with the previous year is mainly attributable, as with deferred tax assets, to the reclassification to assets held for sale of the assets of Slovenské elektrárne, as well as to the change in tax rates in Spain and a number of countries in Latin America.

## 20. Equity investments accounted for using the equity method - €872 million

Investments in joint arrangements and associated companies accounted for using the equity method are as follows.

Millions of euro		% holding	Income effect	Change in scope of consolidation	Dividends
	at Dec. 31, 2013 restated				
<b>Joint arrangements</b>					
Hydro Dolomiti Enel	210	49.0%	57	-	(48)
Tejo Energia Produção e Distribuição de Energia Eléctrica	58	38.9%	6	-	(4)
Empresa de Energía Cundinamarca	34	40.4%	3	-	-
RusEnergosbyt	59	49.5%	47	-	(71)
Energie Electrique de Tahaddart	30	32.0%	5	-	(6)
Centrales Hidroeléctricas de Aysén	96	51.0%	-	-	-
PowerCrop	6	50.0%	(1)	-	-
Nuclenor	12	50.0%	(56)	-	-
Inversiones Gas Atacama	171	50.0%	4	(174)	-
<b>Associates</b>					
Elica 2	135	30.0%	-	-	-
ENEOP - Eólicas de Portugal	55	36.0%	17	-	-
CESI	37	42.7%	3	-	(1)
Tecnatom	30	45.0%	1	-	-
GNL Quinteros	7	20.0%	5	-	(9)
EEVM - Empreendimentos Eólicos do Vale do Minho	15	50.0%	14	-	(10)
Suministradora Eléctrica de Cádiz	17	33.5%	3	-	(3)
Terrae	15	20.0%	-	-	-
Compañía Eólica Tierras Altas	14	35.6%	-	-	(1)
LaGeo	98	36.2%	28	(100)	(30)
Buffalo Dunes Wind Project	69	49.0%	4	(76)	-
Tirme	23	40.0%	-	(19)	(3)
Other	181		2	23	(69)
<b>Total</b>	<b>1,372</b>		<b>142</b>	<b>(346)</b>	<b>(255)</b>

The “Change in scope of consolidation” item includes the impact of the acquisition of an additional stake in Inversiones Gas Atacama in Chile and Buffalo Dunes Wind Project in the United States, which gave Enel control over those companies, enabling line-by-line consolidation, as well as the impact of the disposal, in December 2014, of investments in LaGeo and Tirme.

The application of the equity method to the investments in RusEnergosbyt and PowerCrop incorporates implicit goodwill of €25 million and €9 million, respectively.

“Impairment losses” on equity methods accounted for using the equity method amounted to €177 million; for more details, please see note 12.

Reclassification from/to "Assets held for sale"	Impairment losses	Other changes	at Dec. 31, 2014		% holding
-	-	(1)	218		49.0%
-	-	1	61		38.9%
-	-	(3)	34		40.4%
-	-	(6)	29		49.5%
-	-	-	29		32.0%
-	(88)	-	8		51.0%
-	-	-	5		50.0%
-	-	44	-		50.0%
-	-	(1)	-		
-	(89)	4	50		30.0%
-	-	(12)	60		36.0%
-	-	-	39		42.7%
-	-	(1)	30		45.0%
-	-	18	21		20.0%
-	-	(1)	18		50.0%
-	-	-	17		33.5%
-	-	-	15		20.0%
-	-	-	13		35.6%
-	-	4	-		
-	-	3	-		
-	-	(1)	-		
(18)	-	106	225		
<b>(18)</b>	<b>(177)</b>	<b>154</b>	<b>872</b>		

"Reclassification from/to 'Assets held for sale'" regard the investments held by Slovenské elektrárne in a number of associates that in view of the decisions taken by manage-

ment meet the requirements of IFRS 5 for classification as assets held for sale at December 31, 2014.

The following table provides a summary of financial information for each joint arrangement and associate of the Group not classified as held for sale in accordance with IFRS 5.

Millions of euro	Non-current assets		Current assets		Total assets	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
<b>Joint arrangements</b>						
Hydro Dolomiti Enel	518	576	137	103	655	679
Centrales Hidroeléctricas de Aysén	9	181	12	13	21	194
RusEnergoSbyt	2	3	105	166	107	169
Tejo Energia Produção e Distribuição de Energia Eléctrica	378	423	139	136	517	559
Empresa de Energía Cundinamarca	169	172	18	22	187	194
Energie Electrique de Tahaddart	132	143	34	41	166	184
PowerCrop	41	37	12	8	53	45
Nuclenor	74	57	99	88	173	145
<b>Associates</b>						
Elica 2	6	7	3	6	9	13
ENEOP - Eólicas de Portugal	1,358	1,214	387	278	1,745	1,492
CESI	63	62	82	92	145	154
Tecnatom	72	69	63	69	135	138
EEVM - Empreendimentos Eólicos do Vale do Minho	262	274	44	53	306	327
Suministradora Eléctrica de Cádiz	77	75	19	17	96	92
Compañía Eólica Tierras Altas	44	45	7	16	51	61

Non-current liabilities		Current liabilities		Total liabilities		Equity	
at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
147	166	64	85	211	251	444	428
-	-	5	6	5	6	16	188
-	-	98	131	98	131	9	38
261	315	101	94	362	409	155	150
81	53	22	56	103	109	84	85
43	59	32	31	75	90	91	94
-	1	27	16	27	17	26	28
108	49	86	72	194	121	(21)	24
-	-	-	-	-	-	9	13
1,399	1,249	179	159	1,578	1,408	167	84
14	18	40	40	54	58	91	96
26	33	42	39	68	72	67	66
220	234	50	61	270	295	36	32
26	22	19	19	45	41	51	51
12	6	3	15	15	21	36	40

Millions of euro	Total revenue		Income before tax		Net income from continuing operations	
	2014	2013 restated	2014	2013 restated	2014	2013 restated
<b>Joint arrangements</b>						
Hydro Dolomiti Enel	365	311	235	174	147	98
Centrales Hidroeléctricas de Aysén	-	-	(14)	(8)	(2)	(6)
RusEnergoSbyt	1,834	2,693	87	203	68	162
Tejo Energia Produção e Distribuição de Energia Eléctrica	195	202	22	36	16	27
Empresa de Energía Cundinamarca	108	110	13	7	8	3
Energie Electrique de Tahaddart	52	57	23	27	16	20
PowerCrop	3	4	(3)	(3)	(2)	(2)
Nuclenor	25	7	(113)	1	(112)	22
<b>Associates</b>						
Elica 2	-	-	-	(1)	-	(1)
ENEOP - Eólicas de Portugal	213	195	52	25	43	40
CESI	62	91	(1)	15	(2)	10
Tecnom	97	100	3	2	3	2
EEVM - Empreendimentos Eólicos do Vale do Minho	80	89	37	45	28	32
Suministradora Eléctrica de Cádiz	16	16	8	9	8	9
Compañía Eólica Tierras Altas	10	20	-	6	-	4

## 21. Derivatives

Millions of euro	Non-current		Current	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
Derivative financial assets	1,335	444	5,500	2,690
Derivative financial liabilities	2,441	2,216	5,441	2,940

For more information on derivatives classified as non-current financial assets, please see notes 43 and 44 for hedging derivatives and trading derivatives, respectively.

## 22. Other non-current financial assets - €3,645 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Equity investments in other companies measured at fair value	157	183	(26)	-14.2%
Equity investments in other companies	56	102	(46)	-45.1%
Receivables and securities included in net financial debt (see note 22.1)	2,701	4,965	(2,264)	-45.6%
Service concession arrangements	669	618	51	8.3%
Non-current prepaid financial expense	62	102	(40)	-39.2%
<b>Total</b>	<b>3,645</b>	<b>5,970</b>	<b>(2,325)</b>	<b>-38.9%</b>

"Other non-current financial assets" decreased by €2,325 million on 2013. In particular, the decline reflected a reduction of receivables included in net financial debt, as discussed in note 22.1.

"Service concession arrangements" regard amounts due from the grantor for the construction and/or improvement

of infrastructure used to provide public services on a concession basis and recognized in application of IFRIC 12.

Equity investments in other companies measured at fair value and at cost break down as follows:

Millions of euro	% holding		% holding		
	at Dec. 31, 2014		at Dec. 31, 2013 restated		Change
Bayan Resources	147	10.00%	169	10.00%	(22)
Echelon	4	7.07%	5	7.07%	(1)
Galsi	15	15.61%	15	15.61%	-
Other	47		96		(49)
<b>Total</b>	<b>213</b>		<b>285</b>		<b>(72)</b>

The change with respect to 2013 is essentially attributable to both the disposal of a number of minor equity investments in Spain and Brazil and a reduction in the fair value of Bayan Resources.

"Equity investments in other companies" includes companies whose market value cannot be readily determined and so, in the absence of plans to sell them, are carried at cost adjusted for any impairment losses.



## 22.1 Other non-current financial assets included in net financial debt - € 2,701 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Securities held to maturity	139	128	11	8.6%
Financial investments in funds or portfolio management products at fair value through profit or loss	40	24	16	66.7%
Financial receivables in respect of Spanish electrical system deficit	-	1,498	(1,498)	-
Other financial receivables	2,522	3,315	(793)	-23.9%
<b>Total</b>	<b>2,701</b>	<b>4,965</b>	<b>(2,264)</b>	<b>-45.6%</b>

"Financial receivables in respect of Spanish electrical system deficit" comprise amounts due to Endesa in respect of the system rate deficit in Spain. The decrease is attributable to the receipt, in December 2014, of funds from the assignment without recourse, as permitted by the provisions of Decree Law of December 13, 2014, which permits the assignment to private-sector entities of receivables in respect of 2013, which under previous legislation had been recoverable over a period of 15 years.

Finally, in accordance with the new regulation of the deficit set out in Decree Law 24/2013, government forecasts do not expect deficits to be generated in the future. In any event, any deficit that should emerge shall be treated as temporary until November of the following year, at which time the receivable is settled. For this reason, the provisional deficit for 2014 of €1,173 million is classified under "Current financial assets".

At December 31, 2014, "Other financial receivables" included:

- > receivables in respect of the Electricity Equalization Fund in the amount of €434 million (unchanged on December 31, 2013), regarding the reimbursement of non-recurring charges connected with the early replacement of electro-mechanical meters;
- > the receivable in respect of the reimbursement, provided for by the Authority for Electricity, Gas and the Water System in Italy with Resolution 157/2012, of costs incurred with the termination of the Electrical Worker Pension Fund in the amount of €393 million (€448 million at December 31, 2013);
- > the receivable of the Argentine generation companies in respect of the wholesale electricity market deposited with the FONINVEMEM (*Fondo Nacional de Inversión Mercado Eléctrico Mayorista*) in the amount of €218 million (€216 million at December 31, 2013).

The change for the period reflects the reclassification under assets held for sale of the receivable in respect of the Slovakian decommissioning fund in the amount of €813 million.

## 23. Other non-current assets - €885 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Receivables due from Electricity Equalization Fund and similar bodies	59	46	13	28.3%
Net assets of employee benefit programs	-	21	(21)	-
Other receivables	826	750	76	10.1%
<b>Total</b>	<b>885</b>	<b>817</b>	<b>68</b>	<b>8.3%</b>

"Receivables due from Electricity Equalization Fund and similar bodies" at December 31, 2014 include only the recei-

vable in respect of the Electricity Equalization Fund claimed by the Enel Distribuzione.

In 2013, "Net assets of employee benefit programs" reported assets backing a number of employee benefit plans for Endesa employees, net of actuarial liabilities. In 2014, the item was reclassified to liabilities as liabilities were greater than actuarial assets.

At December 31, 2014, "Other receivables" mainly regard tax receivables in the amount of €501 million (€476 million at December 31, 2013) and advances to suppliers in the amount of €141 million (€154 million at the end of 2013).

## 24. Inventories - €3,334 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
<b>Raw materials, consumables and supplies:</b>				
- fuel	1,533	1,816	(283)	-15.6%
- materials, equipment and other inventories	759	616	143	23.2%
<b>Total raw materials, consumables and supplies</b>	<b>2,292</b>	<b>2,432</b>	<b>(140)</b>	<b>-5.8%</b>
<b>Environmental certificates:</b>				
- green certificates	623	525	98	18.7%
- white certificates	294	461	(167)	-36.2%
- CO <sub>2</sub> emissions allowances	3	2	1	50.0%
<b>Total</b>	<b>920</b>	<b>988</b>	<b>(68)</b>	<b>-6.9%</b>
Buildings available for sale	76	77	(1)	-1.3%
Payments on account	46	58	(12)	-20.7%
<b>TOTAL</b>	<b>3,334</b>	<b>3,555</b>	<b>(221)</b>	<b>-6.2%</b>

Raw materials, consumables and supplies consist of fuel inventories to cover the requirements of the generation companies and trading activities, as well as materials and equipment for the operation, maintenance and construction of plants and distribution networks. The decrease of the year is mainly attributable to the decline in stocks of gas,

nuclear fuel and white certificates. The contraction was only partly offset by an increase in inventories of green certificates and other materials and equipment. The buildings available for sale are related to remaining units from the Group's real estate portfolio and are primarily civil buildings.

## 25. Trade receivables - €12,022 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
<b>Customers:</b>				
- sale and transport of electricity	8,361	8,613	(252)	-2.9%
- distribution and sale of natural gas	1,679	1,524	155	10.2%
- other activities	1,920	1,190	730	61.3%
<b>Total customer receivables</b>	<b>11,960</b>	<b>11,327</b>	<b>633</b>	<b>5.6%</b>
Trade receivables due from associates and joint arrangements	62	51	11	21.6%
<b>TOTAL</b>	<b>12,022</b>	<b>11,378</b>	<b>644</b>	<b>5.7%</b>

Trade receivables from customers are recognized net of allowances for doubtful accounts, which totaled €1,662 million

at the end of the year, compared with an opening balance of €1,472 million. The increase in the period is mainly due to an increase in sales of fuel.

For more details on trade receivables, please see note 40 "Financial instruments".

## 26. Tax receivables - €1,547 million

Tax receivables at December 31, 2014 amounted to €1,547 million and are essentially related to income tax credits in the amount of €788 million (€992 million at December 31, 2013), receivables for indirect taxes in the amount of €409

million (€419 million at December 31, 2013) and receivables for other taxes and tax surcharges in the amount of €350 million (€298 million at December 31, 2013).

## 27. Other current financial assets - €3,984 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Current financial assets included in net financial position	3,860	5,503	(1,643)	-29.9%
Other	124	104	20	19.2%
<b>Total</b>	<b>3,984</b>	<b>5,607</b>	<b>(1,623)</b>	<b>-28.9%</b>

### 27.1 Other current financial assets included in net financial debt - €3,860 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Short-term portion of long-term financial receivables	1,566	2,976	(1,410)	-47.4%
Receivables for factoring	177	263	(86)	-32.7%
Securities available for sale	140	17	123	-
Financial receivables and cash collateral	1,654	1,720	(66)	-3.8%
Other	323	527	(204)	-38.7%
<b>Total</b>	<b>3,860</b>	<b>5,503</b>	<b>(1,643)</b>	<b>-29.9%</b>

The change in "Short-term portion of long-term financial receivables" is mainly accounted for by:

- > the change in financial receivables in respect of the deficit of the Spanish electrical system as a result of the accrual of new receivables in 2014 in the amount of €2,952 million (also including new receivables for extra-peninsular generation), the reclassification of €1,498 million, discussed in note 22.1 and, with a negative sign, collections (€4,948 million including payments in respect of extra-peninsular generation). Part of those collections (€1,469 million) was generated by the assignment of the

receivables to a specially-established securitization fund, formed by a pool of five Spanish banks, with the intention of closing the system deficit for 2013;

- > a decrease of €905 million in the financial receivables of Enersis, which at December 31, 2013 had comprised liquidity temporarily invested in repurchase transactions with a maturity of more than 90 days, which were subsequently used to expand the Group's presence in Latin America, as happened in 2014 with the acquisition of larger stakes in Coelce, Gas Atacama and Edegel, with the latter channeled through Generandes Perú.

## 28. Other current assets - €2,706 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Receivables due from Electricity Equalization Fund and similar bodies	1,010	745	265	35.6%
Advances to suppliers	166	213	(47)	-22.1%
Receivables due from employees	33	36	(3)	-8.3%
Receivables due from others	1,272	1,329	(57)	-4.3%
Accrued operating income and prepaid expenses	184	197	(13)	-6.6%
Receivables for construction contracts	41	37	4	10.8%
<b>Total</b>	<b>2,706</b>	<b>2,557</b>	<b>149</b>	<b>5.8%</b>

“Receivables due from Electricity Equalization Fund and similar bodies” include receivables in respect of the Italian system in the amount of €896 million (€669 million at December 31, 2013) and the Spanish system in the amount of €114 million (€76 million at December 31, 2013). Including the portion of receivables classified as long-term in the amount

of €59 million (€46 million in 2013), operating receivables due from the Electricity Equalization Fund and similar bodies at December 31, 2014 totaled €1,069 million (€791 million at December 31, 2013), offset by payables of €4,005 million (€3,312 million at December 31, 2013).

## 29. Cash and cash equivalents - €13,088 million

Cash and cash equivalents, detailed in the table below, are not restricted by any encumbrances, apart from €199 million (€195 million at December 31, 2013) primarily in respect of deposits pledged to secure transactions.

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Bank and post office deposits	12,330	6,813	5,517	81.0%
Cash and cash equivalents on hand	758	1,060	(302)	-28.5%
<b>Total</b>	<b>13,088</b>	<b>7,873</b>	<b>5,215</b>	<b>66.2%</b>

The change for the period mainly reflects cash flows generated by the disposal of non-strategic assets and the proceeds of the disposal of 21.92% of Endesa.

## 30. Assets and liabilities held for sale - €6,778 million and €5,290 million

Changes in assets held for sale during the year are reported in the following table.

Millions of euro	Dec. 31, 2013 restated	Reclassification at from/to current and non-current assets	Disposals and change in scope of consolidation	Impairment losses	Other changes	at Dec. 31, 2014
Property, plant and equipment	211	5,873	(16)	(2,181)	(5)	3,882
Intangible assets	1	230	(2)	-	(5)	224
Goodwill	-	697	-	(697)	-	-
Deferred tax assets	-	608	-	-	458	1,066
Equity investments accounted for using the equity method	1	17	-	-	-	18
Non-current financial assets	4	972	-	-	-	976
Other non-current assets		18	-	-	-	18
Cash and cash equivalents	10	27	(10)	-	-	27
Current financial assets	-	42	-	-	-	42
Inventories, trade receivables and other current assets	14	526	(14)	-	(1)	525
<b>Total</b>	<b>241</b>	<b>9,010</b>	<b>(42)</b>	<b>(2,878)</b>	<b>447</b>	<b>6,778</b>

"Assets held for sale" amounted to €6,778 million at December 31, 2014. They largely include the assets of Slovenské elektrárne (€6,389 million), SE Hydropower (€302 million) and other smaller companies, which in view of the decisions taken by management meet the requirements of IFRS 5 for classification as assets held for sale.

more details, please see note 8.d.

Liabilities held for sale at December 31, 2014 amounted to €5,290 million. They largely included the liabilities of Slovenské elektrárne (€5,163 million), SE Hydropower (€99 million) and other smaller companies.

"Impairment losses" at December 31, 2014 amounted to €2,878 million and regarded Slovenské elektrárne; for

Changes in liabilities held for sale during the year are as follows:

Millions of euro	Dec. 31, 2013 restated	Reclassification at from/to current and non-current liabilities	Disposals and change in scope of consolidation	Other changes	at Dec. 31, 2014
Long-term borrowings	-	1,422	-	-	1,422
Post-employment and other employee benefits	-	67	-	-	67
Non-current portion of provisions for risks and charges	-	2,305	-	-	2,305
Deferred tax liabilities	7	681	-	(19)	669
Non-current financial liabilities	-	148	-	-	148
Other non-current liabilities	-	1	-	-	1
Short-term borrowings	-	191	-	-	191
Other current financial liabilities	-	47	-	-	47
Current portion of provisions for risks and charges	-	43	-	-	43
Trade payables and other current liabilities	13	399	(13)	(2)	397
<b>Total</b>	<b>20</b>	<b>5,304</b>	<b>(13)</b>	<b>(21)</b>	<b>5,290</b>

The net increase in all items of assets and liabilities held for sale compared with December 31, 2013 largely reflects the classifications under this item during 2014.

For a summary of the fair value balances, broken down by measurement criteria, please see notes 45 and 46 on IFRS 13 disclosures.

## 31. Shareholders' equity - €51,145 million

### 31.1 Equity attributable to the shareholders of the Parent Company - €31,506 million

#### Share capital - €9,403 million

At December 31, 2014 (as at December 31, 2013), the share capital of Enel SpA – considering that no options were exercised as part of stock option plans in 2014 – amounted to €9,403,357,795 fully subscribed and paid up, represented by 9,403,357,795 ordinary shares with a par value of €1.00 each.

At the same date, based on the shareholders register and the notices submitted to CONSOB and received by the Company pursuant to Article 120 of Legislative Decree 58 of February 24, 1998, as well as other available information, no shareholders held more than 2% of the total share capital, apart from the Ministry for the Economy and Finance, which holds 31.24%, CNP Assurances (which holds 3.67%, held as at June 26, 2014 for asset management purposes), and People's Bank of China, with 2.07%.

On February 26, 2015, the Ministry for the Economy and Finance sold an interest of 5.74% in the Company. Accordingly, following that operation, the Ministry's holding in the Company has decreased from 31.24% to 25.50%.

#### Other reserves - €3,362 million

#### Share premium reserve - €5,292 million

Pursuant to Article 2431 of the Italian Civil Code, the share premium reserve contains, in the case of the issue of shares at a price above par, the difference between the issue price of the shares and their par value, including those resulting from conversion from bonds. The reserve, which is a capital reserve, may not be distributed until the legal reserve has reached the threshold established under Article 2430 of the Civil Code.

#### Legal reserve - €1,881 million

The legal reserve is formed of the part of net income that, pursuant to Article 2430 of the Italian Civil Code, cannot be distributed as dividends.

#### Other reserves - €2,262 million

These include €2,215 million related to the remaining portion of the value adjustments carried out when Enel was transformed from a public entity to a joint-stock company.

Pursuant to Article 47 of the Uniform Income Tax Code (*Tetto Unico Imposte sul Reddito*), this amount does not constitute taxable income when distributed.

#### Reserve from translation of financial statements in currencies other than euro - €(1,321) million

The decrease for the year is due to the net depreciation of the functional currency against the foreign currencies used by subsidiaries.

#### Reserve from cash flow hedge - €(1,806) million

This includes the net charges recognized in equity from the measurement of cash flow hedge derivatives.

#### Reserve from measurement of financial instruments available for sale - €105 million

This includes net unrealized income from the measurement at fair value of financial assets.

#### Reserve from disposal of equity interests without loss of control - €(2,113) million

This item reports the gain posted on the public offering of Enel Green Power shares, net of expenses associated with the disposal and the related taxation, and the sale of minority interests recognized as a result of the Enersis capital increase. The change for the period regards the capital loss, net of expenses associated with the disposal and the related taxation, from the public offering of 21.92% of Endesa.

#### Reserve from transactions in non-controlling interests - €(193) million

The reserve reports the amount by which the purchase price in purchases from third parties of additional stakes in companies already controlled in Latin America (generated in previous years by the purchase of additional stakes in Ampla Energia e Serviços, Ampla Investimentos e Serviços and Eléctrica Cabo Blanco) exceeds the value of the equity acquired. The change for the period regards the difference between the purchase price and the associated share of equity acquired from non-controlling shareholders of Coelce, Generandes Perú (which controls Edegel with a stake of 54.20%), Enersis and Endesa Latinoamérica.

## Reserve from equity investments accounted for using the equity method - €(74) million

The reserve reports the share of comprehensive income to be recognized directly in income for companies accounted for using the equity method.

## Retained earnings and loss carried forward - €18,741 million

The reserve reports earnings from previous years that have not been distributed or allocated to other reserves.

## Reserve for employee benefits - €(671) million

The reserve includes all actuarial gains and losses, net of tax effects. The change is attributable to the increase in net actuarial losses recognized during the period.

The table below shows the changes in gains and losses recognized directly in other comprehensive income, including non-controlling interests, with specific reporting of the related tax effects.

Millions of euro

	at Dec. 31, 2013 restated			Changes				at Dec. 31, 2014						
		Of which sharehol- ders of the Parent Company	Of which non-con- trolling interests	Gains/ (Losses) recogni- zed in equity for the year	Released to income statement	Taxes	Change in scope of consolida- tion		Of which sharehol- ders of the Parent Company	Of which non- controlling interests		Of which sharehol- ders of the Parent Company	Of which non-con- trolling interests	
	Total							Total				Total		
Reserve from translation of financial statements in currencies other than euro	(2,401)	(1,084)	(1,317)	(717)	-	-	6	(711)	(237)	(474)		(3,112)	(1,321)	(1,791)
Reserve from change in the fair value of cash flow hedges	(1,730)	(1,592)	(138)	(302)	(65)	20	21	(326)	(214)	(112)		(2,056)	(1,806)	(250)
Reserve from changes in the fair value of financial assets available for sale	127	128	(1)	(23)	-	-	-	(23)	(23)	-		104	105	(1)
Share of OCI of equity investments accounted for using the equity method	(63)	(58)	(5)	(36)	7	16	3	(10)	(16)	6		(73)	(74)	1
Remeasurements of the net defined benefit liabilities/ (assets)	(624)	(528)	(96)	(340)	-	33	59	(248)	(143)	(105)		(872)	(671)	(201)
<b>Total gains/ (losses) recognized in equity</b>	<b>(4,691)</b>	<b>(3,134)</b>	<b>(1,557)</b>	<b>(1,418)</b>	<b>(58)</b>	<b>69</b>	<b>89</b>	<b>(1,318)</b>	<b>(633)</b>	<b>(685)</b>		<b>(6,009)</b>	<b>(3,767)</b>	<b>(2,242)</b>

## 31.2 Dividends

	Amount distributed (millions of euro)	Net dividend per share (euro)
<b>Net dividends paid in 2013</b>		
Dividends for 2012	1,410	0.15
Interim dividends for 2013	-	-
Extraordinary dividends	-	-
Total net dividend paid in 2013	1,410	0.15
<b>Net dividends paid in 2014</b>		
		-
<b>Dividends for 2013</b>	<b>1,222</b>	<b>0.13</b>
Interim dividends for 2014	-	-
Extraordinary dividends	-	-
<b>Total dividend paid in 2014</b>	<b>1,222</b>	<b>0.13</b>

The dividend for 2014, equal to €0.14 per share, for a total of €1,316 million, was proposed to the Shareholders' Meeting called for May 28, 2015. These financial statements do

not take account of the effect of the distribution of the 2014 dividends to shareholders.

### Capital management

The Group's objectives for managing capital comprise safeguarding the business as a going concern, creating value for stakeholders and supporting the development of the Group. In particular, the Group seeks to maintain an adequate capitalization that enables it to achieve a satisfactory return for shareholders and ensure access to external sources of financing, in part by maintaining an adequate rating.

In this context, the Group manages its capital structure and adjusts that structure when changes in economic conditions so require. There were no substantive changes in objectives, policies or processes in 2014.

To this end, the Group constantly monitors developments in the level of its debt in relation to equity. The situation at December 31, 2014 and 2013 is summarized in the following table:

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change
Non-current financial position	48,655	50,905	(2,250)
Net current financial position	(8,571)	(6,234)	(2,337)
Non-current financial receivables and long-term securities	(2,701)	(4,965)	2,264
<b>Net financial debt</b>	<b>37,383</b>	<b>39,706</b>	<b>(2,323)</b>
Equity attributable to the shareholders of the Parent Company	31,506	35,941	(4,435)
Non-controlling interests	19,639	16,891	2,748
<b>Shareholders' equity</b>	<b>51,145</b>	<b>52,832</b>	<b>(1,687)</b>
<b>Debt/equity ratio</b>	<b>0.73</b>	<b>0.75</b>	<b>(0.02)</b>



## 31.3 Non-controlling interests - €19,639 million

The following table reports the composition of non-controlling interests.

Millions of euro	Non-controlling interests		Net income attributable to non-controlling interests	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
Endesa Group	6,648	1,996	116	84
Enel Latinoamérica Group	8,690	10,014	464	1,013
ElH Group	1,134	1,438	31	95
Slovenske Group	385	923	(523)	133
Enel Green Power Group	2,782	2,306	167	210
Other and minor	-	214	-	10
<b>Total</b>	<b>19,639</b>	<b>16,891</b>	<b>255</b>	<b>1,545</b>

## 32. Borrowings

Millions of euro	Non-current		Current	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
Long-term borrowings	48,655	50,905	5,125	4,658
Short-term borrowings	-	-	3,252	2,484
<b>Total</b>	<b>48,655</b>	<b>50,905</b>	<b>8,377</b>	<b>7,142</b>

For more details on the nature of borrowings, please see note 40 "Financial instruments".

### 33. Post-employment and other employee benefits - €3,687 million

The Group provides its employees with a variety of benefits, including termination benefits, additional months' pay for having reached age limits or eligibility for old-age pension, loyalty bonuses for achievement of seniority milestones, supplemental retirement and healthcare plans, residential electricity discounts (which for companies in Italy only regard certain retired employees) and similar benefits. More specifically:

- > for Italy, the item "Pension benefits" regards estimated accruals made to cover benefits due under the supplemental retirement schemes of retired executives and the benefits due to personnel under law or contract at the time the employment relationship is terminated. For the foreign companies, the item reports post-employment benefits;
- > the item "Electricity discount" comprises, for the Italian companies, a number of benefits regarding residential electricity supply. Until 2011 the discount was granted to current and retired employees, but, following an agreement with the unions, has now been replaced by other forms of remuneration for current employees and therefore remains in effect only for retired employees;
- > the item "Health insurance" reports benefits for current or retired employees covering medical expenses;
- > "Other benefits" mainly regard the loyalty bonus, which for Italy is represented by the estimated liability for the

benefit entitling employees covered by the electricity workers national collective bargaining agreement to a bonus for achievement of seniority milestones (25th and 35th year of service). It also includes other incentive plans, which provide for the award to certain Company managers of a monetary bonus subject to specified conditions.

Outside of Italy, major pension plans include those of Endesa, in Spain, which break down into three types that differ on the basis of employee seniority and company. In general, under the framework agreement of October 25, 2000, employees participate in a specific defined-contribution pension plan and, in cases of disability or death of employees in service, a defined benefit plan which is covered by appropriate insurance policies. In addition, the Group has two other limited-enrollment plans (i) for current and retired Endesa employees covered by the electricity industry collective bargaining agreement prior to the changes introduced with the framework agreement noted earlier and (ii) for employees of the former Catalan companies (Fecsa/Enher/HidroEmpordà). Both are defined benefit plans and benefits are fully ensured, with the exception of the former plan for benefits in the event of the death of a retired employee.

Finally, the Brazilian companies have also established defined benefit plans.

The following table reports changes in the defined benefit obligation for post-employment and other long-term employee benefits at December 31, 2014 and December 31, 2013, respectively, as well as a reconciliation of that obligation with the actuarial liability.

The obligation at December 31, 2013 (€3,677 million) is reported net of plan assets (€21 million).

Millions of euro

2014

	Pension benefits	Electricity discount	Health insurance	Other benefits	Total
<b>CHANGES IN ACTUARIAL OBLIGATION</b>					
<b>Actuarial obligation at January 1</b>	<b>2,366</b>	<b>1,848</b>	<b>209</b>	<b>362</b>	<b>4,785</b>
Current service cost	17	6	4	48	75
Interest expense	125	60	11	10	206
Actuarial (gains)/losses arising from changes in demographic assumptions	1	1	-	1	3
Actuarial (gains)/losses arising from changes in financial assumptions	270	173	9	(7)	445
Experience adjustments	(24)	(39)	5	(17)	(75)
Past service cost	(4)	(36)	(2)	(24)	(66)
(Gains)/Losses arising from settlements	8	-	-	-	8
Exchange rate differences	(4)	-	(1)	(18)	(23)
Employer contributions	-	-	-	-	-
Employee contributions	1	-	-	-	1
Benefits paid	(237)	(88)	(13)	(89)	(427)
Other changes	5	2	1	(2)	6
Liabilities classified as held for sale	(66)	-	-	(1)	(67)
<b>Actuarial obligation at December 31 (A)</b>	<b>2,458</b>	<b>1,927</b>	<b>223</b>	<b>263</b>	<b>4,871</b>
<b>CHANGES IN PLAN ASSETS</b>					
<b>Fair value of plan assets at January 1</b>	<b>1,187</b>	-	-	-	<b>1,187</b>
Interest income	82	-	-	-	82
Return on plan assets excluding amounts included in interest income	28	-	-	-	28
Exchange rate differences	4	-	-	-	4
Employer contributions	186	88	13	22	309
Employee contributions	1	-	-	-	1
Benefits paid	(237)	(88)	(13)	(22)	(360)
Other payments	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-
<b>Fair value of plan assets at December 31 (B)</b>	<b>1,251</b>	-	-	-	<b>1,251</b>
<b>EFFECT OF ASSET CEILING</b>					
<b>Asset ceiling at January 1</b>	<b>58</b>	-	-	-	<b>58</b>
Interest income	7	-	-	-	7
Changes in asset ceiling	2	-	-	-	2
Exchange rate differences	-	-	-	-	-
Changes in scope of consolidation	-	-	-	-	-
<b>Asset ceiling at December 31 (C)</b>	<b>67</b>	-	-	-	<b>67</b>
<b>Net liability in balance sheet (A-B+C)</b>	<b>1,274</b>	<b>1,927</b>	<b>223</b>	<b>263</b>	<b>3,687</b>

2013 restated

Pension benefits	Electricity discount	Health insurance	Other benefits	Total
<b>3,636</b>	<b>1,674</b>	<b>239</b>	<b>249</b>	<b>5,798</b>
66	6	2	99	<b>173</b>
147	57	12	10	<b>226</b>
3	(1)	1	29	<b>32</b>
(104)	177	(13)	(7)	<b>53</b>
(7)	29	(4)	43	<b>61</b>
(35)	-	-	(3)	<b>(38)</b>
(1,023)	-	-	-	<b>(1,023)</b>
(131)	(1)	(13)	(11)	<b>(156)</b>
-	-	-	-	<b>-</b>
2	-	-	-	<b>2</b>
(195)	(96)	(15)	(48)	<b>(354)</b>
7	3	-	1	<b>11</b>
-	-	-	-	<b>-</b>
<b>2,366</b>	<b>1,848</b>	<b>209</b>	<b>362</b>	<b>4,785</b>
<b>1,320</b>	-	-	-	<b>1,320</b>
82	-	-	-	<b>82</b>
(83)	-	-	-	<b>(83)</b>
(96)	-	-	-	<b>(96)</b>
157	96	15	25	<b>293</b>
2	-	-	-	<b>2</b>
(195)	(96)	(15)	(25)	<b>(331)</b>
-	-	-	-	<b>-</b>
-	-	-	-	<b>-</b>
<b>1,187</b>	-	-	-	<b>1,187</b>
<b>47</b>	-	-	-	<b>47</b>
3	-	-	-	<b>3</b>
19	-	-	-	<b>19</b>
(11)	-	-	-	<b>(11)</b>
-	-	-	-	<b>-</b>
<b>58</b>	-	-	-	<b>58</b>
<b>1,237</b>	<b>1,848</b>	<b>209</b>	<b>362</b>	<b>3,656</b>

Millions of euro	2014	2013 restated
<b>(Gains)/Losses charged to profit or loss</b>		
Service cost and past service cost	(26)	50
Net interest expense	131	147
(Gains)/Losses arising from settlements	8	(1,023)
Actuarial (gains)/losses on other long-term benefits	35	85
Other changes	7	(12)
<b>Total</b>	<b>155</b>	<b>(753)</b>

Millions of euro	2014	2013 restated
<b>Change in (gains)/losses in OCI</b>		
Return on plan assets excluding amounts included in interest income	(28)	83
Actuarial (gains)/losses on defined benefit plans	366	157
Changes in asset ceiling excluding amounts included in interest income	2	19
<b>Total</b>	<b>340</b>	<b>259</b>

The change in cost recognized through profit or loss is mainly attributable to the cancellation in 2013 of the transition-to-retirement plan introduced in 2012 owing to lack of participation, prompting derecognition of the liability.

The liability recognized in the balance sheet at the end of

the year is reported net of the fair value of plan assets, entirely accounted for by the Enersis Group, amounting to €1,251 million at December 31, 2014. The plan assets break down as follows:

	2014	2013 restated
<b>Investment quoted in active markets</b>		
Equity instruments	5%	6%
Fixed-income securities	29%	27%
<b>Unquoted investments</b>		
Property	5%	3%
Assets held by insurance undertakings	-	11%
Other	61%	53%
<b>Total</b>	<b>100%</b>	<b>100%</b>

The main actuarial assumptions used to calculate the liabilities in respect of employee benefits and the plan assets,

which are consistent with those used the previous year, are set out in the following table.

	Italy	Iberian peninsula	Latin America	Other	Italy	Iberian peninsula	Latin America	Other
	2014				2013 restated			
Discount rate	0.50% - 2.15%	0.87% - 2.11%	4.60% - 12.52%	1.60% - 13.89%	0.75% - 3.00%	1.72% - 3.64%	5.40% - 12.43%	3.15% - 7.90%
Inflation rate	1.60%	2.30%	3.00% - 6.00%	1.75% - 5.00%	2.00%	2.30%	3.00% - 5.50%	2.00% - 6.00%
Rate of wage increases	1.60% - 3.60%	2.30%	3.00% - 9.18%	1.75% - 5.00%	2.00% - 4.00%	2.30%	0% - 7.61%	2.00% - 6.00%
Rate of increase in healthcare costs	2.60%	3.50%	3.50% - 8.66%	-	3.00%	3.50%	4.50% - 11.57%	-
Expected rate of return on plan assets	-	2.06%	12.52%	-	-	3.61%	0.00%	-

The following table reports the outcome of a sensitivity analysis that demonstrates the effects on the defined benefit obligation of changes reasonably possible at the end of

the year in the actuarial assumptions used in estimating the obligation.

	Pension benefits	Electricity discount	Health insurance	Other benefits	Pension benefits	Electricity discount	Health insurance	Other benefits
	at Dec. 31, 2014				at Dec. 31, 2013			
A decrease of 0.5% in discount rate	156	58	11	3	128	125	11	11
An increase of 0.5% in discount rate	(134)	(120)	(13)	(6)	(130)	(111)	(13)	(9)
An increase of 0.5% in inflation rate	31	137	8	4	30	62	(4)	5
An increase of 0.5% in remuneration	27	-	-	6	10	-	7	10
An increase of 0.5% in pensions currently being paid	52	-	-	-	3	-	7	3
An increase of 1% in healthcare costs	-	-	24	-	3	-	24	3
An increase of 1 year in life expectancy of active and retired employees	17	81	11	-	41	87	7	7

The sensitivity analysis used an approach that extrapolates the effect on the defined benefit obligation of reasonable changes in an individual actuarial assumption, leaving the other assumptions unchanged.

The contributions expected to be paid into defined benefit plans in the subsequent year amount to €24 million.

The following table reports expected benefit payments in the coming years for defined benefit plans:

Millions of euro	at Dec. 31, 2014	at Dec. 31, 2013
Within 1 year	265	396
In 1-2 years	257	258
In 2-5 years	801	802
More than 5 years	1,406	1,517

## 34. Provisions for risks and charges - €5,238 million

Millions of euro	at Dec. 31, 2014		at Dec. 31, 2013 restated	
	Non-current	Current	Non-current	Current
<b>Provision for litigation, risks and other charges:</b>				
- nuclear decommissioning	566	1	2,612	33
- non-nuclear plant retirement and site restoration	594	5	589	3
- litigation	810	40	1,036	46
- environmental certificates	-	43	133	164
- taxes and duties	309	7	371	7
- other	693	581	605	626
<b>Total</b>	<b>2,972</b>	<b>677</b>	<b>5,346</b>	<b>879</b>
Provision for early-retirement incentives	1,079	510	1,158	588
<b>TOTAL</b>	<b>4,051</b>	<b>1,187</b>	<b>6,504</b>	<b>1,467</b>

Millions of euro	Accrual	Reversal	Utilization	Unwinding of interest	Change in scope of consolidation	Translation adjustment	Other	Reclassification from/to "Liabilities held for sale"		
at Dec. 31, 2013 restated									at Dec. 31, 2014	
<b>Provision for litigation, risks and other charges:</b>										
- nuclear decommissioning	2,645	26	(56)	(19)	105	-	(3)	81	(2,212)	567
- non-nuclear plant retirement and site restoration	592	40	(84)	(12)	13	5	1	150	(106)	599
- litigation	1,082	182	(218)	(210)	26	-	-	(1)	(11)	850
- environmental certificates	297	42	(18)	(276)	-	-	-	(1)	(1)	43
- taxes and duties	378	31	(50)	(29)	-	(4)		(6)	(4)	316
- other	1,231	394	(139)	(299)	53	(2)	(19)	62	(7)	1,274
<b>Total</b>	<b>6,225</b>	<b>715</b>	<b>(565)</b>	<b>(845)</b>	<b>197</b>	<b>(1)</b>	<b>(21)</b>	<b>285</b>	<b>(2,341)</b>	<b>3,649</b>
Provision for early-retirement incentives	1,746	478	(129)	(539)	58	-	(3)	(15)	(7)	1,589
<b>TOTAL</b>	<b>7,971</b>	<b>1,193</b>	<b>(694)</b>	<b>(1,384)</b>	<b>255</b>	<b>(1)</b>	<b>(24)</b>	<b>270</b>	<b>(2,348)</b>	<b>5,238</b>

## Nuclear decommissioning provision

The "nuclear decommissioning" provision decreased compared with December 31, 2013, mainly due to the reclassification of the subsidiary Slovenské elektrárne under assets held for sale. In 2013 the latter had a provision of €2,175 million for the V1 and V2 plants at Jaskovské Bohunice and the EMO 1 and 2 plants at Mochovce, which included the provision for nuclear waste disposal in the amount of €114 million, the provision for spent nuclear fuel disposal in the amount of €1,296 million and the provision for nuclear plant retirement in the amount of €765 million. Thus, at December 31, 2014, the provision reflected solely the costs that will be incurred at the time of decommissioning of nuclear plants by Enresa, a Spanish public enterprise responsible for such activities in accordance with Royal Decree 1349/2003 and Law 24/2005. Quantification of the costs is based on the standard contract between Enresa and the electricity companies approved by the Ministry for the Economy in September 2001, which regulates the retirement and closing of nuclear power plants. The time horizon envisaged, three years, corresponds to the period from the termination of power generation to the transfer of plant management to Enresa (post-operational costs).

## Non-nuclear plant retirement and site restoration provision

The provision for "non-nuclear plant retirement and site restoration" represents the present value of the estimated cost for the retirement and removal of non-nuclear plants where there is a legal or constructive obligation to do so.

## Litigation provision

The "litigation" provision covers contingent liabilities in respect of pending litigation and other disputes. It includes an estimate of the potential liability relating to disputes that arose during the period, as well as revised estimates of the potential costs associated with disputes initiated in prior periods. The estimates are based on the opinions of internal and external legal counsel. The change for the year reflects the closure of a number of disputes.

## Provision for environmental certificates

The provision for "environmental certificates" covers costs in respect of shortfalls in the environmental certificates need for compliance with national or supranational environmental protection requirements.

## Other provisions

"Other" provisions cover various risks and charges, mainly in connection with regulatory disputes and disputes with local authorities regarding various duties and fees. In particular, as regard current and potential disputes concerning local property tax (whether the *Imposta Comunale sugli Immobili* ("ICI") or the new *Imposta Municipale Unica* ("IMU")) in Italy, the Group has taken due account of the criteria introduced with circular 6/2012 of the Public Land Agency (which resolved interpretive issues concerning the valuation methods for movable assets).

considered relevant for property registry purposes, including certain assets typical to generation plants, such as turbines) in estimating the liability for such taxes, both for the purposes of quantifying the probable risk associated with pending litigation and generating a reasonable valuation of probable future charges on positions that have not yet been assessed by Public Land Agency offices and municipalities.

## Provision for early-retirement incentives

The “Provision for early-retirement incentives” includes the estimated charges related to binding agreements for the voluntary termination of employment contracts in response to organizational needs. The change for the year reflects, among other factors, uses for incentive provisions established in Spain

and Italy in previous years, the latter largely associated with the union-company agreements signed on September 6, 2013, implementing, for a number of companies in Italy, the mechanism provided for under Article 4, paragraphs 1-7 ter, of Law 92/2012 (the Fornero Act). In addition, a new incentive mechanism was implemented in Spain in 2014, with a charge of €349 million, in connection with Endesa’s restructuring and reorganization plan, which provides for the suspension of the employment contract with tacit annual renewal. With regard to that plan, on December 30, 2014, the Company signed an agreement with union representatives in which it undertook to not exercise the option to request a return to work at subsequent annual renewal dates for either the 222 employees who elected to participate in the mechanism in 2014 or for the additional 250 employees who have already been identified in the plan but will only sign the participation agreement in 2015.

## 35. Other non-current liabilities - €1,464 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Accrued operating expenses and deferred income	952	956	(4)	-0.4%
Other items	512	303	209	69.0%
<b>Total</b>	<b>1,464</b>	<b>1,259</b>	<b>205</b>	<b>16.3%</b>

At December 31, 2014, this item essentially consisted of revenues for electricity and gas connections and grants received for specific assets.

## 36. Trade payables - €13,419 million

The item amounted to €13,419 million (€12,363 million in 2013) and includes payables in respect of electricity supplies, fuel, materials, equipment associated with tenders and other services.

More specifically, trade payables falling due in less than 12 months amounted to €12,923 million (€11,904 million in 2013), while those with falling due in more than 12 months amounted to €496 million (€459 million in 2013).

## 37. Other current financial liabilities - €1,177 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Deferred financial liabilities	1,063	974	89	9.1%
Other items	114	126	(12)	-9.5%
<b>Total</b>	<b>1,177</b>	<b>1,100</b>	<b>77</b>	<b>7.0%</b>

“Deferred financial liabilities” regard accrued expense on bonds. It is broadly unchanged on the previous year.



## 38. Net financial position and long-term financial receivables and securities - €37,383 million

The following table shows the net financial position and long-term financial receivables and securities on the basis of the items on the consolidated balance sheet.

Millions of euro

	Notes	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Long-term borrowings	40	48,655	50,905	(2,250)	-4.4%
Short-term borrowings	40	3,252	2,484	768	30.9%
Current portion of long-term borrowings	40	5,125	4,658	467	10.0%
Non-current financial assets included in debt	22	(2,701)	(4,965)	2,264	-45.6%
Current financial assets included in debt	27	(3,860)	(5,503)	1,643	-29.9%
Cash and cash equivalents	29	(13,088)	(7,873)	(5,215)	-66.2%
<b>Total</b>		<b>37,383</b>	<b>39,706</b>	<b>(2,323)</b>	<b>-5.9%</b>

Net financial debt declined primarily as the result of non-recurring disposals of certain assets and investments, as well as of a number of initiatives to optimize working capital, as detailed in the section on liquidity risk.

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at December 31, 2014, and December 31, 2013, reconciled with net financial debt as provided for in the presentation methods of the Enel Group.

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Cash and cash equivalents on hand	758	1,060	(302)	-28.5%
Bank and post office deposits	12,330	6,813	5,517	81.0%
Securities	140	17	123	-
<b>Liquidity</b>	<b>13,228</b>	<b>7,890</b>	<b>5,338</b>	<b>67.7%</b>
Short-term financial receivables	1,977	2,247	(270)	-12.0%
Factoring receivables	177	263	(86)	-32.7%
Short-term portion of long-term financial receivables	1,566	2,976	(1,410)	-47.4%
<b>Current financial receivables</b>	<b>3,720</b>	<b>5,486</b>	<b>(1,766)</b>	<b>-32.2%</b>
Short-term bank debt	(30)	(118)	88	74.6%
Commercial paper	(2,599)	(2,202)	(397)	-18.0%
Short-term portion of long-term bank debt	(824)	(1,750)	926	-52.9%
Bonds issued (short-term portion)	(4,056)	(2,648)	(1,408)	-53.2%
Other borrowings (short-term portion)	(245)	(260)	15	5.8%
Other short-term financial payables	(623)	(164)	(459)	-
<b>Total short-term financial debt</b>	<b>(8,377)</b>	<b>(7,142)</b>	<b>(1,235)</b>	<b>-17.3%</b>
<b>Net short-term financial position</b>	<b>8,571</b>	<b>6,234</b>	<b>2,337</b>	<b>37.5%</b>
Debt to banks and financing entities	(7,022)	(7,873)	851	10.8%
Bonds	(39,749)	(41,483)	1,734	4.2%
Other borrowings	(1,884)	(1,549)	(335)	-21.6%
<b>Long-term financial position</b>	<b>(48,655)</b>	<b>(50,905)</b>	<b>2,250</b>	<b>4.4%</b>
<b>NET FINANCIAL POSITION as per CONSOB instructions</b>	<b>(40,084)</b>	<b>(44,671)</b>	<b>4,587</b>	<b>10.3%</b>
<b>Long-term financial receivables and securities</b>	<b>2,701</b>	<b>4,965</b>	<b>(2,264)</b>	<b>-45.6%</b>
<b>NET FINANCIAL DEBT</b>	<b>(37,383)</b>	<b>(39,706)</b>	<b>2,323</b>	<b>5.9%</b>

There are no transactions with related parties for these items.

## 39. Other current liabilities - €10,827 million

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013 restated	Change	
Payables due to customers	1,599	1,563	36	2.3%
Payables due to Electricity Equalization Fund and similar bodies	4,005	3,312	693	20.9%
Payables due to employees	496	449	47	10.5%
Other tax payables	887	963	(76)	-7.9%
Payables due to social security institutions	216	216	-	-
Contingent consideration	46	37	9	24.3%
Payables for put options granted to minority shareholders	789	790	(1)	-0.1%
Current accrued expenses and deferred income	285	300	(15)	-5.0%
Payables for acquisition of equity investments	33	-	33	-
Payables for construction contracts	317	560	(243)	-43.4%
Other	2,154	2,169	(15)	-0.7%
<b>Total</b>	<b>10,827</b>	<b>10,359</b>	<b>468</b>	<b>4.5%</b>

"Payables due to customers" include €1,096 million (€1,090 million at December 31, 2013) in security deposits related to amounts received from customers as part of electricity and gas supply contracts. Following the finalization of the contract, deposits for electricity sales, the use of which is not restricted in any way, are classified as current liabilities given that the Company does not have an unconditional right to defer repayment beyond 12 months.

"Payables due to Electricity Equalization Fund and similar bodies" mainly include payables arising from the application of equalization mechanisms to electricity purchases on the Italian market amounting to €2,449 million (€1,922 million at December 31, 2013) and on the Spanish market amounting

to €1,556 million (€1,390 million at December 31, 2013).

"Contingent consideration" regards a number of investees held by the Group in North America whose fair value was determined on the basis of the terms and conditions of the contractual agreements between the parties.

The item "Payables for put options granted to minority shareholders" at December 31, 2014 includes the liability in respect of Enel Distributie Muntenia and Enel Energie Muntenia in the total amount of €778 million (unchanged on December 31, 2013).

"Payables for acquisition of equity investments" regard the residual price to pay for purchase in 2014 of a number of companies in North America in the amount of €33 million.

## 40. Financial instruments

This note provides disclosures that enable users to assess the significance of financial instruments for the Company's financial position and performance.

## 40.1 Financial assets by category

The following table reports the carrying amount for each category of financial asset provided for under IAS 39, broken down into current and non-current financial assets, show-

ing hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro		Non-current		Current	
	Notes	2014	2013 restated	2014	2013 restated
<b>Loans and receivables</b>	40.1.1	<b>2,522</b>	<b>4,813</b>	<b>28,871</b>	<b>24,774</b>
<b>Available for sale financial assets</b>	40.1.2	<b>882</b>	<b>903</b>	<b>140</b>	<b>17</b>
<b>Financial assets held to maturity</b>	40.1.3	<b>139</b>	<b>128</b>	<b>-</b>	<b>-</b>
<b>Financial assets at fair value through profit or loss</b>					
Financial assets designated upon initial recognition (fair value option)	40.1.4	40	24	-	-
Derivative financial assets at FVTPL	40.1.5	5	5	4,930	2,579
<b>Total financial assets at fair value through profit or loss</b>		<b>45</b>	<b>29</b>	<b>4,930</b>	<b>2,579</b>
<b>Derivative financial assets designated as hedging instruments</b>					
Fair value hedge derivatives	40.1.5	55	45	-	4
Cash flow hedge derivatives	40.1.5	1,275	394	570	107
<b>Total derivative financial assets designated as hedging instruments</b>		<b>1,330</b>	<b>439</b>	<b>570</b>	<b>111</b>
<b>TOTAL</b>		<b>4,918</b>	<b>6,312</b>	<b>34,511</b>	<b>27,481</b>

For more information on fair value measurement, please see note 45 "Assets measured at fair value".

### 40.1.1 Loans and receivables

The following table shows loans and receivables by nature, broken down into current and non-current financial assets.

Millions of euro		Non-current		Current	
	Notes	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
Cash and cash equivalents	29	-	-	13,088	7,873
Trade receivables	25	-	-	12,022	11,378
Short-term portion of long-term financial receivables	27	-	-	1,566	2,976
Receivables for factoring	27	-	-	177	263
Cash collateral	27	-	-	1,654	1,720
Receivables for construction contracts	28	-	-	41	37
Other financial receivables	22	2,522	4,813	323	527
<b>Total</b>		<b>2,522</b>	<b>4,813</b>	<b>28,871</b>	<b>24,774</b>

Trade receivables from customers at December 31, 2014 amounted to €12,022 million (€11,378 million at December 31, 2013) and are recognized net of allowances for impairment losses, which amounted to €1,662 million at the end

of the year, up from the opening balance of €1,472 million.

The table below shows impairment losses on trade receivables.

Millions of euro	at Dec. 31, 2014	at Dec. 31, 2013 restated
<b>Trade receivables</b>		
Gross value	13,684	12,850
Allowances and impairment	(1,662)	(1,472)
<b>Net value</b>	<b>12,022</b>	<b>11,378</b>

The table below shows changes in these allowances during the year.

Millions of euro

<b>Opening balance at Jan. 1, 2013</b>	<b>1,410</b>
Charge for the year	829
Utilized	(546)
Unused amounts reversed	(176)
Other changes	(45)
<b>Closing balance at Dec. 31, 2013</b>	<b>1,472</b>
<b>Opening balance at Jan. 1, 2014</b>	<b>1,472</b>
Charge for the year	864
Utilized	(529)
Unused amounts reversed	(120)
Other changes	(25)
<b>Closing balance at Dec. 31, 2014</b>	<b>1,662</b>

Note 41 "Risk management" provides additional information on the ageing of receivables past due but not impaired.

#### 40.1.2 Available for sale financial assets

The following table shows available for sale financial assets by nature, broken down into current and non-current financial assets.

Millions of euro		Non-current			Current	
	Notes	2014	2013 restated	Notes	2014	2013 restated
Equity investments in other companies	22	213	285	22	-	-
Available for sale securities	27.1	-	-	27.1	140	17
Service concession arrangements	22	669	618		-	-
<b>Total</b>		<b>882</b>	<b>903</b>		<b>140</b>	<b>17</b>

#### Changes in financial assets available for sale

Millions of euro	Non-current	Current
<b>Opening balance at Jan. 1, 2014</b>	<b>903</b>	<b>17</b>
Increases	104	-
Decreases	(221)	-
Changes in fair value through OCI	(19)	-
Reclassifications	105	-
Other changes	10	123
<b>Closing balance at Dec. 31, 2014</b>	<b>882</b>	<b>140</b>

### 40.1.3 Held to maturity financial assets

At December 31, 2014 financial assets held to maturity amounted to €139 million, up €11 million compared with

the previous year. The item reports non-current securities held by Enel.Re.

### 40.1.4 Financial assets at fair value through profit or loss

The following table shows financial assets at fair value through profit or loss by nature, broken down into current and non-current financial assets.

Millions of euro	Non-current				Current	
	Notes	at Dec. 31, 2014	at Dec. 31, 2013 restated	Notes	at Dec. 31, 2014	at Dec. 31, 2013 restated
Derivatives at FVTPL	40.1.5	5	5	40.1.5	4,930	2,579
Financial investments in funds		40	24		-	-
Total financial assets designated upon initial recognition (fair value option)		40	24		-	-
TOTAL		45	29		4,930	2,579

### 40.1.5 Derivative financial assets

The following table shows the notional amount and the fair value of derivative financial assets, by type of hedge rela-

tionship and hedged risk, broken down into current and non-current financial assets.

Millions of euro		Non-current				Current			
		Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2013 restated
<b>Fair value hedge derivatives:</b>									
- on interest rates	883	1,045	55	45	21	76	-	-	4
<b>Total</b>	<b>883</b>	<b>1,045</b>	<b>55</b>	<b>45</b>	<b>21</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>4</b>
<b>Cash flow hedge derivatives:</b>									
- on interest rates	106	1,236	5	35	400	22	-	-	5
- on exchange rates	9,078	3,973	1,163	347	2,662	1,506	244	244	92
- on commodities	702	137	107	12	2,755	149	326	326	10
<b>Total</b>	<b>9,886</b>	<b>5,346</b>	<b>1,275</b>	<b>394</b>	<b>5,817</b>	<b>1,677</b>	<b>570</b>	<b>570</b>	<b>107</b>
<b>Trading derivatives:</b>									
- on interest rates	50	30	3	2	15	-	1	1	-
- on exchange rates	121	-	2	-	2,094	1,807	157	157	46
- on commodities	3	58	-	3	14,827	13,990	4,772	4,772	2,533
<b>Total</b>	<b>174</b>	<b>88</b>	<b>5</b>	<b>5</b>	<b>16,936</b>	<b>15,797</b>	<b>4,930</b>	<b>4,930</b>	<b>2,579</b>
<b>TOTAL DERIVATIVE FINANCIAL ASSETS</b>	<b>10,943</b>	<b>6,479</b>	<b>1,335</b>	<b>444</b>	<b>22,774</b>	<b>17,550</b>	<b>5,500</b>	<b>5,500</b>	<b>2,690</b>

For more details on derivative financial assets, please see note 43 "Derivatives and hedge accounting".

## 40.2 Financial liabilities by category

The following table shows the carrying amount for each category of financial liability provided for under IAS 39, broken down into current and non-current financial liabilities,

showing hedging derivatives and derivatives measured at fair value through profit or loss separately.

Millions of euro	Notes	Non-current		Current	
		2014	2013 restated	2014	2013 restated
<b>Financial liabilities measured at amortized cost</b>	40.2.1	<b>48,655</b>	<b>50,905</b>	<b>21,796</b>	<b>19,505</b>
<b>Financial liabilities at fair value through profit or loss</b>					
Derivative financial liabilities at FVTPL	40.4	35	25	4,971	2,500
<b>Total financial liabilities at fair value through profit or loss</b>		<b>35</b>	<b>25</b>	<b>4,971</b>	<b>2,500</b>
<b>Derivative financial liabilities designated as hedging instruments</b>					
Fair value hedge derivatives	40.4	-	2	-	-
Cash flow hedge derivatives	40.4	2,406	2,189	470	440
<b>Total derivative financial liabilities designated as hedging instruments</b>		<b>2,406</b>	<b>2,191</b>	<b>470</b>	<b>440</b>
<b>TOTAL</b>		<b>51,096</b>	<b>53,121</b>	<b>27,237</b>	<b>22,445</b>

For more information on fair value measurement, please see note 46 "Liabilities measured at fair value".

### 40.2.1 Financial liabilities measured at amortized cost

The following table shows financial liabilities at amortized cost by nature, broken down into current and non-current financial liabilities.

Millions of euro	Notes	Non-current		Notes	Current	
		2014	2013 restated		2014	2013 restated
Long-term borrowings	40.3.1	48,655	50,905	40.3.1	5,125	4,658
Short-term borrowings	40.3.2	-	-	40.3.2	3,252	2,484
Trade payables	36	-	-	36	13,419	12,363
Payables for construction contracts	39	-	-	39	317	560
<b>Total</b>		<b>48,655</b>	<b>50,905</b>		<b>21,796</b>	<b>19,505</b>

## 40.3 Borrowings

### 40.3.1 Long-term borrowings (including the current portion due within 12 months) - €53,780 million

The following table reports the carrying amount and fair value for each category of debt, including the portion falling due within 12 months. For listed debt instruments, the fair value is given by official prices. For unlisted debt instruments, fair value is determined using valuation techniques appropriate for each category of financial instrument and

the associated market data for the reporting date, including the credit spreads of Enel SpA.

The table below reports the situation of long-term borrowings and repayment schedules at December 31, 2014, broken down by type of borrowing and interest rate.

				Portion due in					Portion due in more than 12 months		Changes in carrying amount
Millions of euro	Nominal value	Carrying amount	Current portion	more than 12 months	Fair value	Nominal value	Carrying amount	Current portion	more than 12 months	Fair value	
at Dec. 31, 2014						at Dec. 31, 2013 restated					
<b>Bonds:</b>											
- listed, fixed rate	32,155	31,897	2,561	29,336	37,847	31,021	30,729	467	30,262	33,690	1,168
- listed, floating rate	5,722	5,692	1,432	4,260	5,982	6,545	6,506	1,134	5,372	6,832	(814)
- unlisted, fixed rate	4,926	4,885	-	4,885	5,808	5,480	5,463	986	4,477	5,827	(578)
- unlisted, floating rate	1,331	1,331	63	1,268	1,263	1,434	1,433	61	1,372	1,299	(102)
<b>Total bonds</b>	<b>44,134</b>	<b>43,805</b>	<b>4,056</b>	<b>39,749</b>	<b>50,900</b>	<b>44,480</b>	<b>44,131</b>	<b>2,648</b>	<b>41,483</b>	<b>47,648</b>	<b>(326)</b>
<b>Bank borrowings:</b>											
- fixed rate	945	926	47	879	1,170	952	940	33	907	952	(14)
- floating rate	6,861	6,839	708	6,131	7,026	7,615	7,605	860	6,745	7,580	(766)
- use of revolving credit lines	81	81	69	12	70	1,078	1,078	857	221	1,020	(997)
<b>Total bank borrowings</b>	<b>7,887</b>	<b>7,846</b>	<b>824</b>	<b>7,022</b>	<b>8,266</b>	<b>9,645</b>	<b>9,623</b>	<b>1,750</b>	<b>7,873</b>	<b>9,552</b>	<b>(1,777)</b>
<b>Non-bank borrowings:</b>											
- fixed rate	1,723	1,723	186	1,537	1,824	1,314	1,314	127	1,187	1,391	409
- floating rate	406	406	59	347	420	495	495	133	362	568	(89)
<b>Total non-bank borrowings</b>	<b>2,129</b>	<b>2,129</b>	<b>245</b>	<b>1,884</b>	<b>2,244</b>	<b>1,809</b>	<b>1,809</b>	<b>260</b>	<b>1,549</b>	<b>1,959</b>	<b>320</b>
<b>Total fixed-rate borrowings</b>	<b>39,749</b>	<b>39,431</b>	<b>2,794</b>	<b>36,637</b>	<b>46,649</b>	<b>38,767</b>	<b>38,446</b>	<b>1,613</b>	<b>36,833</b>	<b>41,860</b>	<b>985</b>
<b>Total floating-rate borrowings</b>	<b>14,401</b>	<b>14,349</b>	<b>2,331</b>	<b>12,018</b>	<b>14,761</b>	<b>17,167</b>	<b>17,117</b>	<b>3,045</b>	<b>14,072</b>	<b>17,299</b>	<b>(2,768)</b>
<b>TOTAL</b>	<b>54,150</b>	<b>53,780</b>	<b>5,125</b>	<b>48,655</b>	<b>61,410</b>	<b>55,934</b>	<b>55,563</b>	<b>4,658</b>	<b>50,905</b>	<b>59,159</b>	<b>(1,783)</b>

The balance for bonds regards, net of €776 million, the unlisted floating-rate "Special series of bonds reserved for employees 1994-2019", which the Parent Company holds in

portfolio, while Enel Insurance NV (formerly Enel.Re) holds bonds issued by Enel SpA totaling €30 million.

The table below reports long-term financial debt by currency and interest rate.

Millions of euro	Carrying amount	Nominal value	Carrying amount	Current average nominal interest rate	Current effective interest rate
	at Dec. 31, 2014		at Dec. 31, 2013 restated		at Dec. 31, 2014
<b>Euro</b>	<b>35,221</b>	<b>35,424</b>	<b>38,267</b>	<b>3.9%</b>	<b>4.1%</b>
US dollar	8,485	8,559	8,467	6.4%	6.7%
Pound sterling	5,437	5,508	4,486	6.1%	6.2%
Colombian peso	1,663	1,663	1,662	8.1%	8.1%
Brazilian real	1,149	1,157	746	12.7%	13.0%
Swiss franc	606	607	593	2.9%	2.9%
Chilean peso/UF	458	470	461	10.6%	12.6%
Peruvian sol	363	363	302	6.5%	6.5%
Russian ruble	69	69	243	7.9%	8.1%
Japanese yen	237	238	238	2.3%	2.4%
Other currencies	92	92	98		
<b>Total non-euro currencies</b>	<b>18,559</b>	<b>18,726</b>	<b>17,296</b>		
<b>TOTAL</b>	<b>53,780</b>	<b>54,150</b>	<b>55,563</b>		

Long-term financial debt denominated in currencies other than the euro increased by €1,263 million. The change is largely attributable to new borrowing in pounds sterling and

Brazilian reais, partly offset by repayments of loans falling due denominated in Russian rubles.



The following table shows the effect of the hedges of foreign currency risk on the gross long-term debt structure.

## Long-term financial debt by currency after hedging

Millions of euro

at Dec. 31, 2014

	Initial debt structure			Impact of hedging instruments	Debt structure after hedging	
	Carrying amount	Nominal value	%			
<b>Euro</b>	<b>35,221</b>	<b>35,424</b>	<b>65.4%</b>	<b>11,787</b>	<b>47,211</b>	<b>87.2%</b>
US dollar	8,485	8,559	15.8%	(5,972)	2,587	4.8%
Pound sterling	5,437	5,508	10.2%	(5,508)	-	-
Colombian peso	1,663	1,663	3.1%	-	1,663	3.1%
Brazilian real	1,149	1,157	2.1%	-	1,157	2.1%
Swiss franc	606	607	1.1%	(607)	-	-
Chilean peso/UF	458	470	0.9%	206	676	1.2%
Peruvian sol	363	363	0.7%	-	363	0.7%
Russian ruble	69	69	0.1%	332	401	0.7%
Japanese yen	237	238	0.4%	(238)	-	-
Other currencies	92	92	0.2%	-	92	0.2%
<b>Total non-euro currencies</b>	<b>18,559</b>	<b>18,726</b>	<b>34.6%</b>	<b>(11,787)</b>	<b>6,939</b>	<b>12.8%</b>
<b>TOTAL</b>	<b>53,780</b>	<b>54,150</b>	<b>100.0%</b>	<b>-</b>	<b>54,150</b>	<b>100.0%</b>

at Dec. 31, 2013 restated

Initial debt structure		Impact of hedging instruments		Debt structure after hedging	
Carrying amount	Nominal value	%			
<b>38,267</b>	<b>38,525</b>	<b>68.9%</b>	<b>11,243</b>	<b>49,768</b>	<b>89.0%</b>
8,467	8,504	15.2%	(6,633)	1,871	3.3%
4,486	4,546	8.1%	(4,546)	-	-
1,662	1,662	3.0%	-	1,662	3.0%
746	748	1.3%	5	753	1.3%
593	595	1.1%	(595)	-	-
461	473	0.8%	435	908	1.6%
302	302	0.5%	(6)	296	0.5%
243	243	0.4%	335	578	1.0%
238	238	0.4%	(238)	-	-
98	98	0.2%	-	98	0.2%
<b>17,296</b>	<b>17,409</b>	<b>31.1%</b>	<b>(11,243)</b>	<b>6,166</b>	<b>11.0%</b>
<b>55,563</b>	<b>55,934</b>	<b>100.0%</b>	<b>-</b>	<b>55,934</b>	<b>100.0%</b>

## Change in the nominal value of long-term debt

Millions of euro	Nominal value	Repayments	Change in own bonds	Change in scope of consolidation	New financing	Exchange rate differences	Reclassification from/to assets/ (liabilities) held for sale	Nominal value
	at Dec. 31, 2013 restated							at Dec. 31, 2014
Bonds	44,480	(3,873)	(42)	-	2,407	1,162	-	44,134
Bank borrowings	9,645	(2,053)	-	-	1,851	1	(1,557)	7,887
Other borrowings	1,809	(287)	-	169	324	115	(1)	2,129
<b>Total financial debt</b>	<b>55,934</b>	<b>(6,213)</b>	<b>(42)</b>	<b>169</b>	<b>4,582</b>	<b>1,278</b>	<b>(1,558)</b>	<b>54,150</b>

Compared with December 31, 2013, the nominal value of long-term debt at December 31, 2014 decreased by €1,784 million, the net effect of €6,213 million in repayments, €4,582 million in new borrowings and €1,278 million in exchange rate losses, of which €169 million due to the change in the scope of consolidation, mainly attributable to the acquisition of a number of companies in the renewable generation sector in the United States that had previously entered into tax partnership agreements, and €1,558 million due to reclassifications to assets/liabilities held for sale (Slovenské elektrárne).

The main repayments in 2014 concerned bonds in the amount of €3,873 million, bank borrowings totaling €2,053 million and other borrowings for €287 million.

More specifically, the main bonds maturing in 2014 included:

- > \$1,250 million (equal to €1,030 million) in respect of a fixed-rate bond issued by Enel Finance International, maturing in October 2014;
- > €1,000 million in respect of a fixed-rate bond issued by Enel SpA, maturing in June 2014;
- > €762 million in respect of the repurchase of bonds secured by Enel by Enel Finance International NV, on October 28, 2014, as part of the optimization of finance operations and the active management of maturities and the cost of funds;
- > \$350 million (equal to €288 million) in respect of a fixed-rate bond issued by Enersis, maturing in January 2014;
- > 250,000 million Colombian pesos (equal to €86 million) in respect of bond issued by Codensa, maturing in March 2014;
- > \$105 million (equal to €86 million) in respect of a fixed-rate bond issued by International Endesa BV, maturing in September 2014;
- > \$105 million (equal to €86 million) in respect of a fixed-rate bond issued by International Endesa BV maturing in 2039 and repaid in advance in February 2014;

- > 5,000 million Russian rubles (equal to €69 million) in respect of a fixed-rate bond issued by Enel Russia maturing in June 2014;
- > 135 million Peruvian sols (equal to €37 million) in respect of bonds issued by Edelnor and maturing in 2014.

The main repayments of bank borrowings in the year included the following:

- > €817 million in respect of repayments of bank borrowings and revolving credit lines of Endesa;
- > €321 million in respect of repayments of subsidized loans by Endesa;
- > €338 million in respect of repayments of subsidized loans by Enel Distribuzione and Enel Produzione;
- > €450 million in respect of repayments of credit lines by Slovenské elektrárne.

The main financing operations in 2014 included the following:

- > in January, Enel SpA issued hybrid financial instruments with the following characteristics:
  - €1,000 million fixed-rate 5%, maturing on January 15, 2075 with a call option at January 15, 2020;
  - £500 million (equal to €642 million) fixed-rate 6.625%, maturing on September 15, 2076 with a call option at September 15, 2021;
- > in April, Empresa Nacional de Electricidad SA issued a \$400 million (equal to €329 million) fixed-rate bond, maturing on April 15, 2024;
- > on May 9, IFC granted a 10-year \$200 million loan (equal to €165 million) to Enel Brasil Participações;
- > on December 3, BBVA granted a 7-year floating-rate loan of about \$150 million (equal to €124 million) to the Chilean company Empresa Eléctrica Panguipulli SA;
- > on July 16, the Brazilian company Ampla issued a 5-year 300 million Brazilian reais floating-rate bond (equal to €93 million) on the local market;
- > in May, Emgesa SA issued a floating-rate bond totaling

240,000 million Colombian pesos (equal to €83 million), maturing on May 16, 2020;

- > in April and June, Edelnor SA issued a number of fixed-rate bonds totaling 260 million Peruvian sols (equal to €72 million), maturing by June 12, 2023;
- > in May, Emgesa SA issued a floating-rate bond totaling

186,000 million Colombian pesos (equal to €64 million), maturing on May 16, 2024;

- > in May, Emgesa SA issued a floating-rate bond totaling 163,000 million Colombian pesos (equal to €56 million), maturing on May 16, 2030.

The table below shows the main characteristics of financial transactions carried out in 2014:

	Issuer/grantor	Issue/grant date	Amount in millions of euro	Currency	Interest rate	Interest rate type	Maturity
<b>Bonds:</b>							
- hybrid bond	Enel SpA	1/15/2014	1,000	EUR	5.00%	Fixed-rate	1/15/2020
- hybrid bond	Enel SpA	1/15/2014	602	GBP	6.62%	Fixed-rate	9/15/2021
- international bond	Endesa Chile	4/15/2014	290	USD	4.25%	Fixed-rate	4/15/2024
<b>Total bonds</b>			<b>1,892</b>				
<b>Bank borrowings:</b>							
	Enel Green Power Brazil	12/18/2014	131	BRL	CDI Overnight + 204 bp	Floating-rate	9/15/2024
	EGPI BV	3/27/2014	153	EUR	Euribor 6M + 210 bp	Floating-rate	3/27/2026
	EGPI BV	8/14/2014	150	EUR	Euribor 6M + 60 bp	Floating-rate	2/14/2029
	Slovenské elektrárne	5/30/2014	183	EUR/RUB	10.55%	Fixed-rate	11/30/2021
	Slovenské elektrárne	1/29/2014	151	EUR	Euribor + 180 bp	Floating-rate	1/29/2019
	Slovenské elektrárne	5/30/2014	170	EUR	Euribor + 275 bp	Floating-rate	11/30/2021
	Slovenské elektrárne	7/1/2014	137	EUR	Euribor + 134 bp	Floating-rate	1/23/2021
<b>Total bank borrowings</b>			<b>1,075</b>				
<b>Non-bank borrowings:</b>							
	Enel Green Power North America	11/26/2014	129	USD	7.57%	Fixed-rate	11/26/2024
	Enel Green Power North America	4/1/2014	179	USD	8.26%	Fixed-rate	12/31/2023
<b>Total non-bank borrowings</b>			<b>308</b>				

The main financing contracts finalized in 2014 include:

- > on April 24, 2014, Enel SpA and UniCredit SpA agreed a €550 million credit line, which replaced a credit line of €400 million granted on July 18, 2013 and falling due in July 2015;
- > on September 26, 2014, Endesa SA agreed a 12-year €300 million loan with the European Investment Bank;
- > in December 2014 Endesa SA agreed the following bilateral credit facilities:
  - €500 million with Banco Santander maturing on March 16, 2018;
  - €500 million with CaixaBank maturing on April 30, 2018;
  - €300 million with BBVA maturing on March 16, 2018;
  - €200 million with Banco Sabadell maturing on February 2, 2018;

- €150 million with Kutxabank maturing on February 18, 2018;
- €100 million with Bankinter maturing on March 27, 2018;
- €100 million with Banco Popular maturing on March 29, 2018;
- €50 million with Ibercaja maturing on January 15, 2018.

The Group's main long-term financial liabilities are governed by covenants containing undertakings by the borrowers (Enel, Endesa and the other Group companies) and in some cases the Parent Company as guarantor that are commonly adopted in international business practice. The main covenants regard the bond issues carried out within the framework of the Global Medium-Term Notes program, loans granted by the EIB and Cassa Depositi e Prestiti, the

€10 billion revolving line of credit agreed in April 2010, the Forward Start Facility Agreement entered into on February 8, 2013 in the amount of €9.44 billion and issues of subordinated unconvertible hybrid bonds.

To date none of the covenants have been triggered.

The main commitments in respect of the bond issues in the Global Medium-Term Notes program can be summarized as follows:

- > negative pledge clauses under which the issuer may not establish or maintain (except under statutory requirement) mortgages, liens or other encumbrances on all or part of its assets to secure any listed bond or bond for which listing is planned unless the same guarantee is extended equally or pro rata to the bonds in question;
- > pari passu clauses, under which the securities constitute a direct, unconditional and unsecured obligation of the issuer and are issued without preferential rights among them and have at least the same seniority as other present and future bonds of the issuer itself;
- > specification of default events, whose occurrence (e.g. insolvency, failure to pay principal or interest, initiation of liquidation proceedings, etc.) constitutes a default;
- > under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) issued by the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least 10% of gross consolidated revenues or total consolidated assets) constitutes a default in respect of the liability in question, which becomes immediately repayable;
- > early redemption clauses in the event of new tax requirements, which permit early redemption at par of all outstanding bonds.

The main covenants governing the loans granted to a number of Group companies by the EIB can be summarized as follows:

- > negative pledge clauses, under which Enel undertakes not to establish or grant to third parties additional guarantees or privileges with respect to those already established in the individual contracts by the company or other subsidiaries of the Group, unless an equivalent guarantee is extended equally or pro rata to the loans in question;
- > clauses that require the guarantor (whether Enel SpA or banks acceptable to the EIB) to maintain its rating above a specified grade; in the case of guarantees provided by Enel SpA, the Group's equity may not fall below a specified level;

- > material changes clauses, under which the occurrence of a specified event (mergers, spin-offs, disposal or transfer of business units, changes in company control structure, etc.) gives rise to the consequent adjustment of the contract, without which the loan shall become repayable immediately without payment of any commission;
- > requirements to report periodically to the EIB;
- > requirement for insurance coverage and maintenance of property, possession and use of the works, plant and machinery financed by the loan over the entire term of the agreement;
- > contract termination clauses, under which the occurrence of a specified event (serious inaccuracies in documentation presented in support of the contract, failure to repay at maturity, suspension of payments, insolvency, special administration, disposal of assets to creditors, dissolution, liquidation, total or partial disposal of assets, declaration of bankruptcy or composition with creditors or receivership, substantial decrease in equity, etc.) triggers immediate repayment.

In 2009 Cassa Depositi e Prestiti granted a loan to Enel Distribuzione that was amended in 2011. The main covenants governing the loan and the guarantee issued by the Parent Company can be summarized as follows:

- > a termination and acceleration clause, under which the occurrence of a specified event (such as failure to pay principal or interest installments, breach of contract obligations or occurrence of a substantive prejudicial event, etc.) entitles Cassa Depositi e Prestiti to terminate the loan;
- > a clause forbidding Enel or its significant subsidiaries (defined in the contract and the guarantee as subsidiaries pursuant to Article 2359 of the Italian Civil Code or consolidated companies whose turnover or total gross assets are at least 10% of consolidated turnover or consolidated gross assets) from establishing additional liens, guarantees or other encumbrances except for those expressly permitted unless Cassa Depositi e Prestiti gives its prior consent;
- > clauses requiring Enel to report to Cassa Depositi e Prestiti both periodically and upon the occurrence of specified events (such as a change in Enel's credit rating, or breach in an amount above a specified threshold in respect of any financial debt contracted by Enel, Enel Distribuzione or any of their significant subsidiaries). Violation of such obligation entitles Cassa Depositi e Prestiti to exercise an acceleration clause.

- > a clause, under which, at the end of each measurement period (half yearly), Enel's consolidated net financial debt shall not exceed 4.5 times annual consolidated EBITDA.

The main covenants for the €10 billion revolving line of credit and the Forward Start Facility Agreement are substantially similar and can be summarized as follows:

- > negative pledge clauses under which the borrower (and its significant subsidiaries) may not establish or maintain (with the exception of permitted guarantees) mortgages, liens or other encumbrances on all or part of its assets to secure any present or future financial liability;
- > pari passu clauses, under which the payment undertakings constitute a direct, unconditional and unsecured obligation of the borrower and bear no preferential rights among them and have at least the same seniority as other present and future loans;
- > change of control clause, which is triggered in the event (i) control of Enel is acquired by one or more parties other than the Italian State or (ii) Enel or any of its subsidiaries transfer a substantial portion of the Group's assets to parties outside the Group such that the financial reliability of the Group is significantly compromised. The occurrence of one of the two circumstances may give rise to (a) the renegotiation of the terms and conditions of the financing or (b) compulsory early repayment of the financing by the borrower;
- > specification of default events, whose occurrence (e.g. failure to make payment, breach of contract, false statements, insolvency or declaration of insolvency by the borrower or its significant subsidiaries, business closure, government intervention or nationalization, administrative proceeding with potential negative impact, illegal conduct, nationalization and government expropriation or compulsory acquisition of the borrower or one of its significant subsidiaries) constitutes a default. Unless remedied within a specified period of time, such default will trigger an obligation to make immediate repayment of the loan under an acceleration clause;
- > under cross-default clauses, the occurrence of a default event in respect of any financial liability (above a threshold level) of the issuer or "significant" subsidiaries (i.e. consolidated companies whose gross revenues or total assets are at least equal to a specified percentage (10% of gross consolidated revenues or total consolidated assets)) constitutes a default in respect of the liabilities in question, which become immediately repayable;
- > periodic reporting requirements.

The main covenants covering the hybrid bonds can be summarized as follows:

- > specification of default events, whose occurrence (e.g. failure to pay principal or interest, insolvency, initiation of liquidation proceedings, etc.) constitutes a default in respect of the liability in question, which in some cases becomes immediately repayable;
- > subordination clauses: each hybrid bond is subordinate to all other bonds issued by the company and ranks pari passu with all other hybrid financial instruments issued, being senior only to equity instruments;
- > prohibition on mergers with other companies, the sale or leasing of all or a substantial part of the company's assets to another company, unless the latter succeeds in all obligations of the issuer.

The undertakings in respect of the bond issues carried out by Endesa Capital under the Global Medium-Term Notes program can be summarized as follows:

- > cross-default clauses under which debt repayment would be accelerated in the case of failure to make payment (above specified amounts) on any financial liability of Endesa or Endesa Capital that is listed or could be listed on a regulated market;
- > negative pledge clauses under which the issuer may not establish mortgages, liens or other encumbrances on all or part of its assets to secure any financial liability that is listed or could be listed on a regulated market, unless an equivalent guarantee is extended equally or pro rata to the bonds in question;
- > pari passu clauses, under which the securities and guarantees have at least the same seniority as all other present and future unsecured and unsubordinated securities issued by Endesa Capital or Endesa.

Finally, the loans granted to Endesa, International Endesa BV and Endesa Capital do not contain cross-default clauses regarding the debt of subsidiaries in Latin America.

Undertakings in respect of project financing granted to subsidiaries regarding renewables and other subsidiaries in Latin America contain covenants commonly adopted in international business practice. The main commitments regard clauses pledging all the assets assigned to the projects in favor of the creditors.

A residual portion of the debt of Enersis and Endesa Chile (both controlled indirectly by Endesa) is subject to cross-default clauses under which the occurrence of a default event (failure to make payment or breach of other obligations) in respect of any financial liability of a subsidiary of Enersis or

Endesa Chile constitutes a default in respect of the liability in question, which becomes immediately repayable.

In addition, many of these agreements also contain cross-acceleration clauses that are triggered by specific circumstances, certain government actions, insolvency or judicial expropriation of assets.

In addition to the foregoing, a number of loans provide for early repayment in the case of a change of control over Endesa or the subsidiaries.

### 40.3.2 Short-term borrowings - €3,252 million

At December 31, 2014 short-term borrowings amounted to €3,252 million, an increase of €768 million on December 31, 2013. They break down as follows.

Millions of euro	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	at Dec. 31, 2014		at Dec. 31, 2013 restated		Change	
Short-term bank borrowings	30	30	118	118	(88)	(88)
Commercial paper	2,599	2,599	2,202	2,202	397	397
Cash collateral and other financing on derivatives	457	457	119	119	338	338
Other short-term borrowings	166	166	45	45	121	121
<b>Short-term borrowings</b>	<b>3,252</b>	<b>3,252</b>	<b>2,484</b>	<b>2,484</b>	<b>768</b>	<b>768</b>

Short-term bank borrowings amounted to €30 million. The payables represented by commercial paper relate to issues outstanding at the end of December 2014 in the context of the €6,000 million program launched in November 2005 by Enel Finance International and guaranteed by Enel SpA, which was renewed in April 2010, as well as the €3,209 mil-

lion program of Endesa Latinoamérica (formerly Endesa Internacional BV) and Enersis.

At December 31, 2014 issues under these programs totaled €2,599 million, of which €2,400 million pertaining to Enel Finance International and €199 million to International Endesa BV.

## 40.4 Derivative financial liabilities

The following table shows the notional amount and the fair value of derivative financial liabilities, by type of hedge relationship and hedged risk, broken down into current and non-current financial liabilities.

Millions of euro	Non-current				Current			
	Notional amount		Fair value		Notional amount		Fair value	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
<b>Fair value hedge derivatives:</b>								
- on exchange rates	-	5	-	2	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flow hedge derivatives:</b>								
- on interest rates	3,635	4,056	554	361	922	1,345	2	24
- on exchange rates	6,415	8,825	1,627	1,821	341	2,943	4	260
- on commodities	742	391	225	7	2,075	4,100	464	156
<b>Total</b>	<b>10,792</b>	<b>13,272</b>	<b>2,406</b>	<b>2,189</b>	<b>3,338</b>	<b>8,388</b>	<b>470</b>	<b>440</b>
<b>Trading derivatives</b>								
- on interest rates	107	216	21	22	123	600	75	51
- on exchange rates	240	14	10	-	2,716	2,219	71	34
- on commodities	20	66	4	3	15,307	10,582	4,825	2,415
<b>Total</b>	<b>367</b>	<b>296</b>	<b>35</b>	<b>25</b>	<b>18,146</b>	<b>13,401</b>	<b>4,971</b>	<b>2,500</b>
<b>TOTAL DERIVATIVE FINANCIAL LIABILITIES</b>	<b>11,159</b>	<b>13,573</b>	<b>2,441</b>	<b>2,216</b>	<b>21,484</b>	<b>21,789</b>	<b>5,441</b>	<b>2,940</b>

For more details on derivative financial liabilities, please see note 43 "Derivatives and hedge accounting".

## 40.5 Net gains and losses

The following table shows net gains and losses by category of financial instruments, excluding derivatives:

Millions of euro	2014	
	Net gains/(losses)	Of which impairment/ reversal of impairment
Available for sale financial assets measured at fair value	(94)	-
Available for sale financial assets measured at amortized cost	1	-
Held to maturity financial assets	6	-
Loans and receivables	(249)	(807)
<b>Financial assets at FVTPL</b>		
Financial assets held for trading	-	-
Financial assets designated upon initial recognition (fair value option)	6	-
<b>Total financial assets at FVTPL</b>	<b>6</b>	<b>-</b>
Financial liabilities measured at amortized cost	(4,252)	-
<b>Financial liabilities at FVTPL</b>		
Financial liabilities held for trading	(4)	-
Financial liabilities designated upon initial recognition (fair value option)	(28)	-
<b>Total financial liabilities at FVTPL</b>	<b>(32)</b>	<b>-</b>

For more details on net gains and losses on derivatives, please see note 10 "Financial income/(expense) from derivatives".



# 41. Risk management

## Financial risk management objectives and policies

As part of its operations, the Enel Group is exposed to a variety of financial risks, notably market risks (including interest rate risk, foreign exchange risk and commodity risk), credit risk and liquidity risk.

The Group's governance arrangements for financial risk envisage:

- > specific internal committees, formed of members of the Group's top management and chaired by the CEO, which are responsible for strategic policy-making and oversight of risk management;

- > the establishment of specific policies set at both the Group level and at the level of individual Divisions/countries/business lines, which define the roles and responsibilities for those involved in managing, monitoring and controlling risks, ensuring the organizational separation of units involved in managing the Group's business and those responsible for managing risk;
- > the specification of operational limits at both the Group level and at the level of individual Divisions/countries/business lines for the various types of risk. These limits are monitored periodically by the risk management units.

## Market risks

Market risk is the risk that the expected cash flows or fair value of a financial instrument could change owing to changes in market prices.

Market risks are essentially composed of interest rate risk, foreign exchange risk and commodity price risk.

Interest rate risk and foreign exchange risk are primarily generated by the presence of financial instruments.

The main financial liabilities, other than derivatives, held by the Company include bonds, bank borrowings, other borrowings, commercial paper, cash collateral for derivatives transactions, liabilities for construction contracts and trade payables.

The main purpose of those financial instruments is to finance the operations of the Group.

The main financial assets, other than derivatives, held by the Group include financial receivables, factoring receivables, cash collateral for derivatives transactions, cash and cash equivalents, receivables for construction contracts and trade receivables.

For more details, please see note 40 "Financial instruments".

The sources of exposure to interest rate risk and foreign exchange risk did not change with respect to the previous year.

The nature of the financial risks to which the Group is exposed is such that changes in interest rates can cause an increase in net financial expense or adverse changes in the value of assets/liabilities measured at fair value.

The Group is also exposed to the risk that changes in the exchange rates between the euro and the main foreign currencies could have an adverse impact on the value in euro of performance and financial aggregates denominated in foreign currencies, such as costs, revenue, assets and liabilities, as well as the consolidation values of equity investments denominated in currencies other than the euro (translation risk). As with interest rates, changes in exchange rates can cause variations in the value of financial assets and liabilities measured at fair value.

The Group's policies for managing market risks provide for the mitigation of the effects on performance of changes in interest rates and exchange rates with the exclusion of translation risk. This objective is achieved both at the source of the risk, through the strategic diversification of the nature of financial assets and liabilities, and by modifying the risk profile of specific exposures with derivatives entered into on over-the-counter markets.

The risk of fluctuations in commodity prices is generated by the volatility of those prices and existing structural correlations, which creates uncertainty about the margin on transactions in fuels and energy. Price developments are observed and analyzed in order to develop the Group's industrial, financial and commercial strategies and policies.

In order to contain the effects of such fluctuations and stabilize margins, Enel develops, in accordance with the

Group's policies and risk governance limits, strategies that impact the various stages of the industrial process associated with the production and sale of electricity and gas, such as advance sourcing and hedging, and plans and techniques for hedging financial risks with derivatives. The Group companies develop strategies for hedging the price risk arising from trading in commodities and, using financial instruments, reduce or eliminate market risk, sterilizing the variable components of price. If authorized, they can also engage in proprietary trading in the energy commodities used by the Group in order to monitor and enhance their understanding of the most relevant markets.

The organizational structure defined in 2014 provides for a single entity to operate on behalf of the entire Group in sourcing fuels and selling electricity and gas on wholesale markets, as well as centralizing trading with the direct control of the units involved in that business, which as they also operate at the local level can maintain effective relationships with the markets. The global business line cooperates with units of the holding company designated to steer, monitor and integrate global performance. In order to manage and control market risks associated with energy commodities,

strengthening an integrated vision of our business and a geographical awareness of sales and trading operations is consistent with the global environment in which the Group operates, creating opportunities for improvement in both maximizing margins and governing risks.

As part of its governance of market risks, the Company regularly monitors the size of the OTC derivatives portfolio in relation to the threshold values set by regulators for the activation of clearing obligations (EMIR - European Market Infrastructure Regulation 648/2012 of the European Parliament). During 2014, no overshoot of those threshold values was detected.

As part of its measurement of financial risks, the Group assesses credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments measured at fair value for the corresponding amount of counterparty risk.

For more information, please see note 45 "Assets measured at fair value".

## Interest rate risk

Interest rate risk is the risk that the fair value or expected cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The main source of interest rate risk for the Enel Group is the presence of financial instruments. It manifests itself primarily as a change in the flows associated with interest payments on floating-rate financial liabilities, a change in financial terms and conditions in negotiating new debt instruments or as an adverse change in the value of financial assets/liabilities measured at fair value, which are typically fixed-rate debt instruments.

For more information, please see note 40 "Financial instruments".

The exposure to interest rate risk did not change compared with the previous year.

The Enel Group manages interest rate risk through the definition of an optimal financial structure, with the dual goal of stabilizing borrowing costs and containing the cost of funds. This goal is pursued through the strategic diversification of the portfolio of financial liabilities by contract type, maturity and interest rate, and modifying the risk profile of specific exposures using OTC derivatives, mainly interest rate swaps and interest rate options. The term of such contracts does

not exceed the maturity of the underlying financial liability, so that any change in the fair value and/or cash flows of such contracts is offset by a corresponding change in the fair value and/or cash flows of the hedged position.

Proxy hedging techniques may be used in a number of residual circumstances, when the hedging instruments for the risk factors are not available on the market or are not sufficiently liquid. For the purpose of EMIR compliance, in order to test the actual effectiveness of the hedging techniques adopted, the Group subjects its hedge portfolios to periodic statistical assessment.

Using interest rate swaps, the Enel Group agrees with the counterparty to periodically exchange floating-rate interest flows with fixed-rate flows, both calculated on the same notional principal amount.

Floating-to-fixed interest rate swaps transform floating-rate financial liabilities into fixed rate liabilities, thereby neutralizing the exposure of cash flows to changes in interest rates. Fixed-to-floating interest rate swaps transform fixed rate financial liabilities into floating-rate liabilities, thereby neutralizing the exposure of their fair value to changes in interest rates.

Floating-to-floating interest rate swaps permit the exchange of floating-rate interest flows based on different indexes.

Some structured borrowings have multi-stage interest flows hedged by interest rate swaps that at the reporting date, and for a limited time, provide for the exchange of fixed-rate interest flows.

Interest rate options involve the exchange of interest differences calculated on a notional principal amount once certain thresholds (strike prices) are reached. These thresholds specify the effective maximum rate (cap) or the minimum rate (floor) on the debt as a result of the hedge. Hedging strategies can also make use of combinations of options (collars) that establish the minimum and maximum rates at the same time. In this case, the strike prices are normally set so that no

premium is paid on the contract (zero cost collars).

Such contracts are normally used when the fixed interest rate that can be obtained in an interest rate swap is considered too high with respect to Enel's expectations for future interest rate developments. In addition, interest rate options are also considered most appropriate in periods of uncertainty about future interest rate developments because they make it possible to benefit from any decrease in interest rates.

The following table reports the notional amount of interest rate derivatives at December 31, 2014 and December 31, 2013 broken down by type of contract:

Millions of euro	Notional amount	
	2014	2013 restated
Floating-to-fixed interest rate swaps	5,043	7,175
Fixed-to-floating interest rate swaps	889	1,121
Fixed-to-fixed interest rate swaps	100	100
Floating-to-floating interest rate swaps	180	180
Interest rate options	50	50
<b>Total</b>	<b>6,262</b>	<b>8,626</b>

For more details on interest rate derivatives, please see note 43 "Derivatives and hedge accounting".

interest rate risk is the main risk factor that could impact the income statement (raising borrowing costs) in the event of an increase in market interest rates.

The amount of floating-rate debt that is not hedged against

Millions of euro	2014				2013 restated			
	Pre-hedge	%	Post-hedge	%	Pre-hedge	%	Post-hedge	%
Floating rate	17,656	30.8%	13,396	23.3%	19,651	33.6%	13,536	23.2%
Fixed rate	39,749	69.2%	44,009	76.7%	38,767	66.4%	44,882	76.8%
<b>Total</b>	<b>57,405</b>		<b>57,405</b>		<b>58,418</b>		<b>58,418</b>	

At December 31, 2014, 31% of financial debt was floating rate (34% at December 31, 2013 restated). Taking account of hedges of interest rates considered effective pursuant to the IFRS-EU, 23% of net financial debt (23% at December 31, 2013 restated) was exposed to interest rate risk. Including interest rate derivatives treated as hedges for management purposes but ineligible for hedge accounting, 77% of net financial debt was hedged (77% hedged at December 31, 2013 restated).

These results are in line with the limits established in the risk management policy.

In 2014 the main maturities of a bond issued by Enel SpA, prepayments by International Endesa BV, borrowings of Slo-

venské elektrárne and the normal amortization of the borrowings of Group companies led to a corresponding reduction of €2,215 million in interest rate swaps.

### Interest rate risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in interest rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and on equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross debt.

These scenarios are represented by parallel increases and decreases in the yield curve as at the reporting date.

There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the Group's profit before tax would be affected by a change in the level of interest rates as follows:

Millions of euro		2014			
	Basis points	Pre-tax impact on profit or loss		Pre-tax impact on equity	
		Increase	Decrease	Increase	Decrease
Change in financial expense on gross long-term floating-rate debt after hedging	25	34	(34)	-	-
Change in fair value of derivatives classified as non-hedging instruments	25	7	(7)	-	-
<b>Change in fair value of derivatives designated as hedging instruments</b>					
Cash flow hedges	25	-	-	70	(70)
Fair value hedges	25	(11)	11	-	-

## Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates.

For the companies of the Enel Group, the main source of foreign exchange risk is the presence of financial instruments and cash flows denominated in a currency other than its currency of account and/or functional currency.

More specifically, foreign exchange risk is mainly generated with the following transaction categories:

- > debt denominated in currencies other than the currency of account or the functional currency entered into by the holding company or the individual subsidiaries;
- > cash flows in respect of the purchase or sale of fuel or electricity on international markets;
- > cash flows in respect of investments in foreign currency, dividends from unconsolidated foreign companies or the purchase or sale of equity investments.

The exposure to foreign exchange risk did not change with respect to the previous year.

For more details, please see note 40 "Financial instruments".

In order to minimize this risk, the Group normally uses a variety of over-the-counter (OTC) derivatives such as cross currency interest rate swaps, currency forwards and currency swaps.

The term of such contracts does not exceed the maturity of the underlying financial liability, so that any change in the

fair value and/or cash flows of such contracts offsets the corresponding change in the fair value and/or cash flows of the hedged position.

Cross currency interest rate swaps are used to transform a long-term financial liability in foreign currency into an equivalent liability in the currency of account or functional currency of the company holding the exposure.

Currency forwards are contracts in which the counterparties agree to exchange principal amounts denominated in different currencies at a specified future date and exchange rate (the strike). Such contracts may call for the actual exchange of the two amounts (deliverable forwards) or payment of the difference between the strike exchange rate and the prevailing exchange rate at maturity (non-deliverable forwards). In the latter case, the strike rate and/or the spot rate may be determined as averages of the official fixings of the European Central Bank.

Currency swaps are contracts in which the counterparties enter into two transactions of the opposite sign at different future dates (normally one spot, the other forward) that provide for the exchange of principal denominated in different currencies.

The following table reports the notional amount of transactions outstanding at December 31, 2014 and December 31, 2013, broken down by type of hedged item:

Millions of euro	Notional amount	
	2014	2013 restated
Cross currency interest rate swaps (CCIRs) hedging debt denominated in currencies other than the euro	14,801	14,263
Currency forwards hedging foreign exchange risk on commodities	4,942	4,253
Currency forwards hedging future cash flows in currencies other than euro	3,552	1,906
Currency swaps hedging commercial paper	148	246
Currency forwards hedging loans	224	201
Other currency forwards	-	423
<b>Total</b>	<b>23,667</b>	<b>21,292</b>

More specifically, these include:

- > CCIRs with a notional amount of €14,801 million to hedge the foreign exchange risk on debt denominated in currencies other than the euro (€14,263 million at December 31, 2013);
- > currency forwards with a total notional amount of €8,494 million used to hedge the foreign exchange risk associated with purchases and sales of natural gas, purchases of fuel and expected cash flows in currencies other than the euro (€6,159 million at December 31, 2013);
- > currency swaps with a total notional amount of €148 million used to hedge the foreign exchange risk associated with redemptions of commercial paper issued in currencies other than the euro (€246 million at December 31, 2013);
- > currency forwards with a total notional amount of €224 million used to hedge the foreign exchange risk associated with loans in currencies other than the euro (€201 million at December 31, 2013).

At December 31, 2014, 35% (31% at December 31, 2013) of Group long-term debt was denominated in currencies other than the euro.

Taking account of hedges of foreign exchange risk, the percentage of debt not hedged against that risk amounted to 13% at December 31, 2014 (11% at December 31, 2013).

### Foreign exchange risk sensitivity analysis

The Group analyses the sensitivity of its exposure by estimating the effects of a change in exchange rates on the portfolio of financial instruments.

More specifically, sensitivity analysis measures the potential impact on profit or loss and equity of market scenarios that would cause a change in the fair value of derivatives or in the financial expense associated with unhedged gross medium/long-term debt.

These scenarios are represented by the appreciation/depreciation of the euro against all of the foreign currencies compared with the value observed as at the reporting date. There were no changes in the methods and assumptions used in the sensitivity analysis compared with the previous year.

With all other variables held constant, the profit before tax would be affected as follows:

Millions of euro	Exchange rate	2014			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
		Increase	Decrease	Increase	Decrease
Change in financial expense on gross debt denominated in foreign currency after hedging	10%	-	-	-	-
Change in fair value of derivatives classified as non-hedging instruments	10%	85	(103)	-	-
<b>Change in fair value of derivatives designated as hedging instruments</b>					
Cash flow hedges	10%	-	-	(1,900)	2,321
Fair value hedges	10%	-	-	-	-

## Commodity risk

The Group is exposed to the risk of fluctuations in the price of commodities mainly associated with the purchase of fuel for power plants and the purchase and sale of natural gas under indexed contracts, as well as the purchase and sale of electricity at variable prices (indexed bilateral contracts and sales on the electricity spot market).

The exposures on indexed contracts are quantified by breaking down the contracts that generate exposure into the underlying risk factors.

As regards electricity sold by the Group, Enel mainly uses fixed-price contracts in the form of bilateral physical contracts and financial contracts (e.g. contracts for differences, VPP contracts, etc.) in which differences are paid to the counterparty if the market electricity price exceeds the strike price and to Enel in the opposite case. The residual exposure in respect of the sale of energy on the spot market not hedged with such contracts is quantified and managed on the basis of an estimation of developments in generation costs. Proxy hedging techniques may be used for the industrial portfolios when the hedging instruments for the risk factors generating the exposure are not available on the market or are not sufficiently liquid, while portfolio hedging techniques can be used to assess opportunities for netting intercompany flows.

The Group mainly uses plain vanilla derivatives for hedging (more specifically, forwards, swaps, options on commodities, futures, contracts for differences).

Enel also engages in proprietary trading in order to maintain a presence in the Group's reference energy commodity markets. These operations, which are performed only by Group

companies expressly authorized to do so under corporate policies, consist in taking on exposures in energy commodities (oil products, gas, coal, CO<sub>2</sub> certificates and electricity in the main European countries) using financial derivatives and physical contracts traded on regulated and over-the-counter markets, exploiting profit opportunities through arbitrage transactions carried out on the basis of expected market developments.

The commodity risk management processes established at the Group level are designed to constantly monitor developments in risk over time and to determine whether the risk levels, as observed for specific analytical dimensions (for example, geographical areas, organizational structures, business lines, etc.), comply with the thresholds consistent with the risk appetite established by top management. These operations are conducted within the framework of formal governance rules that establish strict risk limits. Compliance with the limits is verified daily by units that are independent of those undertaking the transactions. Positions are monitored monthly, assessing the Profit at Risk, in the case of industrial portfolios, and daily, calculating Value at Risk, in the case of the trading book.

The risk limits for Enel's proprietary trading are set in terms of Value at Risk over a 1-day time horizon and a confidence level of 95%; the sum of the limits for 2014 is equal to about €33 million.

The following table reports the notional amount of outstanding transactions at December 31, 2014 and December 31, 2013, broken down by type of instrument:

Millions of euro	Notional amount	
	2014	2013 restated
Forward and futures contracts	26,671	17,526
Swaps	9,359	11,024
Options	401	264
Embedded derivatives	-	659
<b>Total</b>	<b>36,431</b>	<b>29,473</b>

For more details, please see note 43 "Derivatives and hedge accounting".

## Sensitivity analysis of commodity risk

The following table presents the results of the analysis of sensitivity to a reasonably possible change in the commodity prices underlying the valuation model used in the scenario at the same date, with all other variables held

constant. The analysis assesses the impact of shifts in the commodity price curve of +10% and -10%.

The impact on pre-tax profit is mainly attributable to the change in the prices of gas and oil commodities. The impact on equity is almost entirely due to changes in the pri-

ces of coal and gas. The Group's exposure to changes in the prices of other commodities is not material.

Millions of euro

		2014			
		Pre-tax impact on profit or loss		Pre-tax impact on equity	
	Commodity price	Increase	Decrease	Increase	Decrease
Change in fair value of trading derivatives on commodities	10%	(60)	(61)	-	-
Change in fair value of derivatives on commodities designated as hedging instruments	10%	-	-	(236)	(276)

## Credit risk

The Group's commercial, commodity and financial operations expose it to credit risk, i.e. the possibility that an unexpected change in the creditworthiness of a counterparty could have an effect on the creditor position, in terms of insolvency (default risk) or changes in its market value (spread risk).

In recent years, in view of the instability and uncertainty that have affected the financial markets and an economic crisis of global proportions, average collection times have trended upwards. In order to minimize credit risk, the general policy at the Group level provides to the use of uniform criteria in all the main regions/countries/business lines in measuring credit exposures in order to promptly identify any deterioration in the quality of outstanding receivables – identifying any mitigation actions to be taken – and to enable the consolidation and monitoring of exposures at the Group level. Credit exposures are managed at the region/country/business line level by different units, thereby ensuring the necessary segregation of risk management and control activities. Monitoring the consolidated exposure is carried out by Enel SpA.

As regards the credit risk associated with commodity transactions, a uniform counterparty assessment system is used at the Group level, with local level implementation. Since 2013, portfolio limits approved by the Group Credit Risk Committee have been applied and monitored at the region/country/business line level and at the consolidated level.

For the credit risk generated by financial transactions, including those in derivatives, risk is minimized by selecting counterparties with high standing from among leading national and international financial institutions, diversifying

the portfolio, entering into margin agreements that call for the exchange of cash collateral and/or using netting arrangements. An internal assessment system was used again in 2014 to apply and monitor operational limits for credit risk, approved by the Group Financial Risk Committee in respect of financial counterparties at the region/country/business line level and at the consolidated level.

To manage credit risk even more effectively, for a number of years the Group has carried out non-recourse assignments of receivables, which have mainly involved specific segments of the commercial portfolio and, to a lesser extent, invoiced receivables and receivables to be invoiced of companies operating in other segments of the electricity industry than retail sales.

All of the above transactions are considered non-recourse transactions for accounting purposes and therefore involved the full derecognition of the corresponding assigned assets from the balance sheet, as the risks and rewards associated with them have been transferred.

### Concentration of customer credit risk

Trade receivables are generated by the Group's operations in many regions and countries (Italy, Spain, Romania, Latin America, Russia, France, North America, etc.) with a base of customers and counterparties that is highly diversified, whether geographically, sectorally (industrial companies, energy companies, enterprises in retail trade, tourism, communications, government entities, etc.) or by size (large corporate, small and medium-sized enterprises, residential customers). Through its subsidiaries, Enel has more than 60 million customers or counterparties with whom it has generally granular credit exposures.

## Financial assets past due but not impaired

Millions of euro

2014

<b>Impaired trade receivables</b>	<b>1,662</b>
<b>Not past due and not impaired trade receivables</b>	<b>8,380</b>
<b>Past due but not impaired trade receivables:</b>	<b>3,642</b>
- less than 3 months	1,416
- from 3 months to 6 months	282
- from 6 months to 12 months	399
- from 12 months to 24 months	489
- more than 24 months	1,056
<b>Total</b>	<b>13,684</b>

## Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The objectives of liquidity risk management policies are:

- > ensuring an appropriate level of liquidity for the Group, minimizing the associated opportunity cost;
- > maintaining a balanced debt structure in terms of the maturity profile and funding sources.

In the short term, liquidity risk is mitigated by maintaining an appropriate level of unconditionally available resources, including liquidity and short-term deposits, available committed credit lines and a portfolio of highly liquid asset.

In the long term, liquidity risk is mitigated by maintaining a balanced maturity profile for our debt, access to a range of sources of funding on different markets, in different currencies and with diverse counterparties.

At the Group level, Enel SpA (directly and through its subsidiary Enel Finance International NV) performs centralized

treasury functions (with the exception of the Endesa Group, where those functions are performed by Endesa SA and its subsidiaries Endesa Internacional BV and Endesa Capital SA), guaranteeing access to the money and capital markets. The Group has undertaken a number of initiatives to optimize working capital and the associated cash flows. More specifically, on the basis of the consultation document 618/2014/R/EEL of the Authority for Electricity, Gas and the Water System of December 11, 2014 (finalized on January 16, 2015) concerning the entry into force of the new Grid Code, which provides for the possibility of extending the deadlines for payments due from distribution companies to the Equalization Fund for the restitution of revenue in respect of general system costs, Enel Distribuzione settled system costs for October 2014, totaling €1.2 billion, in January 2015.

The Group holds the following undrawn lines of credit:

Millions of euro	at Dec. 31, 2014		at Dec. 31, 2013 restated	
	Expiring within one year	Expiring beyond one year	Expiring within one year	Expiring beyond one year
Committed credit lines	671	13,456	494	14,912
Uncommitted credit lines	425	-	795	-
Commercial paper	6,727	-	7,088	-
<b>Total</b>	<b>7,823</b>	<b>13,456</b>	<b>8,377</b>	<b>14,912</b>

Committed credit lines amounted to €14,127 million at the Group level, with €13,456 million expiring after 2015. Total

available resources came to €21,279 million, of which €6,727 million in commercial paper.



## Maturity analysis

The table below summarizes the maturity profile of the Group's long-term debt.

	Millions of euro		Maturing in				
	Less than 3 months	From 3 months to 1 year	2016	2017	2018	2019	Beyond
<b>Bonds:</b>							
- listed, fixed rate	1,012	1,549	3,502	2,466	5,132	2,137	16,099
- listed, floating rate	1,387	45	1,182	384	796	238	1,660
- unlisted, fixed rate	-	-	-	1,233	-	1,434	2,218
- unlisted, floating rate	-	63	64	65	66	313	760
<b>Total bonds</b>	<b>2,399</b>	<b>1,657</b>	<b>4,748</b>	<b>4,148</b>	<b>5,994</b>	<b>4,122</b>	<b>20,737</b>
<b>Bank borrowings:</b>							
- fixed rate	5	42	81	63	304	60	371
- floating rate	134	574	714	496	731	562	3,628
- use of revolving credit lines	-	69	9	-	3	-	-
<b>Total bank borrowings</b>	<b>139</b>	<b>685</b>	<b>804</b>	<b>559</b>	<b>1,038</b>	<b>622</b>	<b>3,999</b>
<b>Non-bank borrowings:</b>							
- fixed rate	49	137	185	161	163	134	894
- floating rate	13	46	70	66	39	33	139
<b>Total non-bank borrowings</b>	<b>62</b>	<b>183</b>	<b>255</b>	<b>227</b>	<b>202</b>	<b>167</b>	<b>1,033</b>
<b>TOTAL</b>	<b>2,600</b>	<b>2,525</b>	<b>5,807</b>	<b>4,934</b>	<b>7,234</b>	<b>4,911</b>	<b>25,769</b>

## Commitments to purchase commodities

In conducting its business, the Enel Group has entered into contracts to purchase specified quantities of commodities at a certain future date for its own use, which qualify for the own use exemption provided for under IAS 39.

The following table reports the undiscounted cash flows associated with outstanding commitments at December 31, 2014.

Millions of euro	at Dec. 31, 2014	2015-2019	2020-2024	2025-2029	Beyond
<b>Commitments to purchase commodities:</b>					
- electricity	54,384	20,142	10,954	7,725	15,563
- fuel	63,605	35,718	16,468	8,289	3,130
<b>Total</b>	<b>117,989</b>	<b>55,860</b>	<b>27,422</b>	<b>16,014</b>	<b>18,693</b>

## 42. Offsetting financial assets and financial liabilities

At December 31, 2014, the Group did not hold offset positions in assets and liabilities, as it is not the Enel Group's policy to settle financial assets and liabilities on a net basis.

## 43. Derivatives and hedge accounting

### 43.1 Derivatives designated as hedging instruments

Derivatives are initially recognized at fair value, at the trade date of the contract, and are subsequently re-measured at fair value.

The method for recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Hedge accounting is applied to derivatives entered into in order to reduce risks such as interest rate risk, exchange rate risk, commodity risk, credit risk and equity risk when all the criteria provided for under IAS 39 are met.

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy. The Group also analyzes, both at hedge inception and on an ongoing systematic basis, the effectiveness of hedges using prospective and retrospective tests in order to determine whether hedging instruments are highly effective in offsetting changes in the fair values or cash flows of hedged items.

Depending on the nature of the risks to which it is exposed, the Group designates derivatives as hedging instruments in one of the following hedge relationships.

- > cash flow hedge derivatives in respect of the risk of: i) changes in the cash flows associated with long-term floating-rate debt; ii) changes in the exchange rates associated with long-term debt denominated in a currency other than the currency of account or the functional currency in which the company holding the financial liability operates; iii) changes in the price of fuels denominated in a foreign currency; iv) changes in the price of forecast electricity sales at variable prices; and v) changes in the price of transactions in coal and petroleum commodities;
- > fair value hedge derivatives involving the hedging of exposures to changes in the fair value of an asset, a liability or a firm commitment attributable to a specific risk;
- > derivatives hedging a net investment in a foreign operation (NIFO), involving the hedging of exposures to exchange rate volatility associated with investments in foreign entities.

For more details on the nature and the extent of risks arising

from financial instruments to which the Company is exposed, please see note 41 "Risk management".

#### Cash flow hedges

Cash flow hedges are used in order to hedge the Group's exposure to changes in future cash flows that are attributable to a particular risk associated with an asset, a liability or a highly probable transaction that could affect profit or loss. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting but the hedged item has not expired or been cancelled, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

The Group currently uses these hedge relationships to minimize the volatility of profit or loss.

#### Fair value hedges

Fair value hedges are used to protect the Group against exposures to adverse changes in the fair value of assets, liabilities or firm commitments attributable to a particular risk that could affect profit or loss.

Changes in the fair value of derivatives that qualify and are designated as hedging instruments are recognized in the income statement, together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedge is ineffective or no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the period to maturity.

The Group currently makes marginal use of such hedge rela-

tionships to seize opportunities associated with general developments in the yield curve.

## Hedge of a net investment in a foreign operation (NIFO)

Hedges of net investments in foreign operations, with a functional currency other than the euro, are hedges of the impact of changes in exchange rates in respect of investments in foreign entities. The hedge instrument is a liability denominated in the same currency as the investment. The foreign exchange differences of the hedged item and the hedge are accumulated each year in equity until the disposal of the investment, at which time the foreign exchange differences are transferred to profit or loss.

The Group does not currently hold any hedges of net investments in a foreign operation.

The following table shows the notional amount and the fair value of hedging derivatives classified on the basis of the type of hedge relationship.

The notional amount of a derivative contract is the amount on the basis of which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price). Amounts denominated in currencies other than the euro are converted at the end-year exchange rates provided by the European Central Bank.

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
<b>Fair value hedge derivatives:</b>								
- on interest rates	904	1,121	55	49	-	-	-	-
- on exchange rates	-	-	-	-	-	5	-	(2)
<b>Cash flow hedge derivatives:</b>								
- on interest rates	506	1,258	5	40	4,557	5,401	(556)	(385)
- on exchange rates	11,740	5,479	1,407	439	6,756	11,768	(1,631)	(2,081)
- on commodities	3,457	286	433	22	2,817	4,491	(689)	(163)
<b>Total</b>	<b>16,607</b>	<b>8,144</b>	<b>1,900</b>	<b>550</b>	<b>14,130</b>	<b>21,665</b>	<b>(2,876)</b>	<b>(2,631)</b>

For more on the fair value measurement of derivatives, please see note 45 "Assets measured at fair value".

For more on the classification of hedging derivatives as non-current and current assets and non-current and current liabilities, please see note 41 "Risk management".

## 43.2 Hedge relationships by type of risk hedged

### Interest rate risk

The following table shows the notional amount and the fair value of the hedging instruments on the interest rate risk

of transactions outstanding as at December 31, 2014 and December 31, 2013, broken down by type of hedged item:

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
Hedging instrument	Hedged item	at Dec. 31, 2014		at Dec. 31, 2013 restated	
Interest rate swaps	Fixed-rate borrowings	41	1,004	50	1,221
Interest rate swaps	Floating-rate borrowings	(537)	4,963	(346)	6,559
<b>Total</b>		<b>(496)</b>	<b>5,967</b>	<b>(296)</b>	<b>7,780</b>

The following table shows the notional amount and the fair value of hedging derivatives on interest rate risk as at December 31, 2014 and December 31, 2013, broken down by type of hedge:

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
<b>Fair value hedge derivatives:</b>								
- interest rate swaps	904	1,121	55	49	-	-	-	-
<b>Cash flow hedge derivatives:</b>								
- interest rate swaps	506	1,258	5	40	4,557	5,401	(556)	(385)
<b>Total interest rate derivatives</b>	<b>1,410</b>	<b>2,379</b>	<b>60</b>	<b>89</b>	<b>4,557</b>	<b>5,401</b>	<b>(556)</b>	<b>(385)</b>

The notional amount of derivatives classified as hedging instruments at December 31, 2014 came to €5,967 million, with a corresponding negative fair value of €496 million. The general decline in the yield curve over the course of the year prompted a deterioration in the fair value of cash flow hedge derivatives and an improvement in that of fair value hedge derivatives.

### Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on interest rate risk.

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2014	2015	2016	2017	2018	2019	Beyond
<b>Cash flow hedge derivatives on interest rates</b>							
Positive fair value	5	(5)	2	-	-	-	-
Negative fair value	(556)	(115)	(89)	(75)	(65)	(55)	(226)

The following table shows the impact of cash flow hedge derivatives on interest rate risk on equity during the period, gross of tax effects:

Millions of euro	2014	2013 restated
<b>Opening balance at January 1, 2014</b>	<b>(1,729)</b>	<b>(1,638)</b>
Changes in fair value recognized in equity (OCI)	958	(281)
Changes in fair value recognized in profit or loss	130	228
<b>Closing balance at December 31, 2014</b>	<b>(641)</b>	<b>(1,691)</b>

## Foreign exchange risk

The following table shows the notional amount and the fair value of the hedging instruments on the foreign exchange

risk of transactions outstanding as at December 31, 2014 and December 31, 2013, broken down by type of hedged item:

Millions of euro		Fair value	Notional amount	Fair value	Notional amount
		at Dec. 31, 2014		at Dec. 31, 2013 restated	
Hedging instruments	Hedged item				
Cross currency interest rate swaps (CCIRs)	Fixed-rate borrowings	(508)	14,064	(1,580)	13,848
Cross currency interest rate swaps (CCIRs)	Floating-rate borrowings	11	416	26	415
Cross currency interest rate swaps (CCIRs)	Future cash flows denominated in foreign currencies	(38)	321	-	-
Currency forwards	Future commodity purchases denominated in foreign currencies	312	3,674	(90)	2,962
Currency forwards	Future cash flows denominated in foreign currencies	-	21	-	27
<b>Total</b>		<b>(224)</b>	<b>18,496</b>	<b>(1,644)</b>	<b>17,252</b>

Cash flow hedges and fair value hedges include:

- > CCIRs with a notional amount of €14,064 million used to hedge the foreign exchange risk on fixed-rate debt denominated in currencies other than the euro, with a negative fair value of €508 million;
- > CCIRs with a notional amount of €737 million used to hedge the foreign exchange risk on floating-rate debt denominated in currencies other than the euro, with a negative fair value of €27 million;

- > currency forwards with a notional amount of €3,695 million used to hedge the foreign exchange risk associated with purchases and sales of natural gas, purchases of fuel and expected cash flows in currencies other than the euro, with a fair value of €312 million.

The following table reports the notional amount and fair value of foreign exchange derivatives at December 31, 2014 and December 31, 2013, broken down by type of hedge:

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
<b>Fair value hedge derivatives:</b>								
- CCIRs	-	-	-	-	-	5	-	(2)
<b>Cash flow hedge derivatives:</b>								
- currency forwards	3,520	218	315	4	175	2,771	(3)	(95)
- CCIRs	8,220	5,261	1,092	435	6,581	8,997	(1,628)	(1,986)
<b>Total foreign exchange derivatives</b>	<b>11,740</b>	<b>5,479</b>	<b>1,407</b>	<b>439</b>	<b>6,756</b>	<b>11,773</b>	<b>(1,631)</b>	<b>(2,083)</b>

The notional amount of CCIRs at December 31, 2014 amounted to €14,801 million (€14,263 million at December 31, 2013), an increase of €538 million. Cross currency interest rate swaps with a total value of €1,989 million expired and were cancelled against new derivatives hedging the hybrid bond issued by Enel SpA in pounds sterling and

floating-rate borrowings in currencies other than the currency of account with a total value of €1,398 million. The value also reflects developments in the exchange rate of the euro against the main other currencies, which cause their notional amount to increase by €1,129 million.

The notional value of currency forwards at December 31,

2014 amounted to €3,695 million (€2,989 million at December 31, 2013), an increase of €706 million. The exposure to foreign exchange risk, especially that associated with the US

dollar, is mainly due to purchases and sales of natural gas and purchase of fuel. Changes in the notional amount are connected with normal developments in operations.

## Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on foreign exchange risk:

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2014	2015	2016	2017	2018	2019	Beyond
<b>Cash flow hedge derivatives on exchange rates</b>							
Positive fair value	1,407	185	137	274	103	409	829
Negative fair value	(1,631)	(62)	(157)	(41)	(53)	(183)	485

The following table shows the impact of cash flow hedge derivatives on foreign exchange risk on equity during the period, gross of tax effects:

Millions of euro	2014	2013 restated
<b>Opening balance at January 1, 2014</b>	<b>(84)</b>	<b>(75)</b>
Changes in fair value recognized in equity (OCI)	(1,089)	(61)
Changes in fair value recognized in profit or loss	64	52
<b>Closing balance at December 31, 2014</b>	<b>(1,109)</b>	<b>(84)</b>

## Commodity risk

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
<b>Cash flow hedge derivatives</b>								
<b>Derivatives on power:</b>								
- swaps	545	81	50	12	152	326	(7)	(9)
- forwards/futures	1,149	115	95	4	348	1,502	(18)	(26)
<b>Total derivatives on power</b>	<b>1,694</b>	<b>196</b>	<b>145</b>	<b>16</b>	<b>500</b>	<b>1,828</b>	<b>(25)</b>	<b>(35)</b>
<b>Derivatives on coal:</b>								
- swaps	-	-	-	-	718	1,250	(183)	(120)
<b>Total derivatives on coal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>718</b>	<b>1,250</b>	<b>(183)</b>	<b>(120)</b>
<b>Derivatives on gas and oil:</b>								
- swaps	124	-	41	-	13	17	(3)	(1)
- forwards/futures	1,426	-	197	-	1,586	1,396	(478)	(7)
<b>Total derivatives on gas and oil</b>	<b>1,550</b>	<b>-</b>	<b>238</b>	<b>-</b>	<b>1,599</b>	<b>1,413</b>	<b>(481)</b>	<b>(8)</b>
<b>Derivatives on CO<sub>2</sub>:</b>								
- forwards/futures	213	90	50	6	-	-	-	-
<b>Total derivatives on CO<sub>2</sub></b>	<b>213</b>	<b>90</b>	<b>50</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL DERIVATIVES ON COMMODITIES</b>	<b>3,457</b>	<b>286</b>	<b>433</b>	<b>22</b>	<b>2,817</b>	<b>4,491</b>	<b>(689)</b>	<b>(163)</b>

The table reports the notional amount and fair value of derivatives hedging the price risk on commodities at December 31, 2014 and at December 31, 2013, broken down by type of hedge.

The positive fair value of cash flow hedge derivatives on commodities mainly regards hedges of gas and oil amounting to €238 million, derivatives on power amounting to €145 million and transactions on CO<sub>2</sub> with a fair value of €50 million. The first category primarily regards hedges of fluctuations

in the price of natural gas, for both purchases and sales, carried out for oil commodities and gas products with physical delivery (all-in-one hedges).

Cash flow hedge derivatives on commodities with a negative fair value regard derivatives on gas and oil commodities amounting to €481 million, hedges of coal purchases for the generation companies amounting to €183 million and derivatives on power amounting to €25 million.

## Cash flow hedge derivatives

The following table shows the cash flows expected in coming years from cash flow hedge derivatives on commodity risk:

Millions of euro	Fair value	Distribution of expected cash flows					
	at Dec. 31, 2014	2015	2016	2017	2018	2019	Beyond
<b>Cash flow hedge derivatives on commodities</b>							
Positive fair value	433	327	104	2	-	-	-
Negative fair value	(689)	(464)	(225)	-	-	-	-

The following table shows the impact of cash flow hedge derivatives on commodity risk on equity during the period, gross of tax effects:

Millions of euro	2014	2013 restated
<b>Opening balance at January 1, 2014</b>	<b>(52)</b>	<b>(75)</b>
Changes in fair value recognized in equity (OCI)	(318)	(228)
Changes in fair value recognized in profit or loss	122	251
<b>Closing balance at December 31, 2014</b>	<b>(248)</b>	<b>(52)</b>

## 44. Derivatives at fair value through profit or loss

The following table shows the notional amount and the fair value of derivatives at FVTPL as at December 31, 2014 and December 31, 2013:

Millions of euro	Notional amount		Fair value assets		Notional amount		Fair value liabilities	
	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated	at Dec. 31, 2014	at Dec. 31, 2013 restated
<b>Derivatives at FVTPL</b>								
<b>Derivatives on interest rates:</b>								
- interest rate swaps	65	30	4	2	180	766	(88)	(69)
- interest rate options	-	-	-	-	50	50	(8)	(4)
<b>Derivatives on exchange rates:</b>								
- currency forwards	2,215	1,807	159	46	2,956	2,233	(81)	(34)
<b>Derivatives on commodities</b>								
<b>Derivatives on power:</b>								
- swaps	1,207	2,356	155	131	1,611	1,775	(183)	(94)
- forwards/futures	5,391	6,128	480	133	5,456	3,469	(417)	(44)
- options	104	52	2	4	80	32	(6)	(3)
<b>Total derivatives on power</b>	<b>6,702</b>	<b>8,536</b>	<b>637</b>	<b>268</b>	<b>7,147</b>	<b>5,276</b>	<b>(606)</b>	<b>(141)</b>
<b>Derivatives on coal:</b>								
- swaps	1,527	928	187	57	1,742	422	(218)	(58)
- forwards/futures	73	35	7	5	51	13	(15)	(2)
- options	3	2	3	2	10	7	(23)	(5)
<b>Total derivatives on coal</b>	<b>1,603</b>	<b>965</b>	<b>197</b>	<b>64</b>	<b>1,803</b>	<b>442</b>	<b>(256)</b>	<b>(65)</b>
<b>Derivatives on gas and oil:</b>								
- swaps	645	1,844	2,686	1,988	902	1,714	(2,747)	(1,998)
- forwards/futures	5,677	2,535	944	130	5,170	2,079	(824)	(95)
- options	99	82	278	61	102	89	(331)	(59)
<b>Total derivatives on gas and oil</b>	<b>6,421</b>	<b>4,461</b>	<b>3,908</b>	<b>2,179</b>	<b>6,174</b>	<b>3,882</b>	<b>(3,902)</b>	<b>(2,152)</b>
<b>Derivatives on CO<sub>2</sub>:</b>								
- forwards/futures	68	65	19	18	63	257	(10)	(19)
<b>Total derivatives on CO<sub>2</sub></b>	<b>68</b>	<b>65</b>	<b>19</b>	<b>18</b>	<b>63</b>	<b>257</b>	<b>(10)</b>	<b>(19)</b>
<b>Derivatives on other commodities:</b>								
- swaps	35	21	10	7	138	132	(53)	(39)
- options	1	-	1	-	2	-	(2)	(1)
<b>Total derivatives on other commodities</b>	<b>36</b>	<b>21</b>	<b>11</b>	<b>7</b>	<b>140</b>	<b>132</b>	<b>(55)</b>	<b>(40)</b>
Embedded derivatives	-	-	-	-	-	659	-	(1)
<b>TOTAL DERIVATIVES ON COMMODITIES</b>	<b>17,110</b>	<b>15,885</b>	<b>4,935</b>	<b>2,584</b>	<b>18,513</b>	<b>13,697</b>	<b>(5,006)</b>	<b>(2,525)</b>



At December 31, 2014 the notional amount of trading derivatives on interest rates came to €295 million. The change in the notional compared with December 31, 2013 is attributable to a natural decline in amortization of existing interest rate swaps and the expiry of €500 million in derivatives during 2014 that, although established for hedging purposes, did not meet the requirements for hedge accounting. The fair value of €92 million deteriorated by €21 million, mainly due to the general decline in the yield curve.

At December 31, 2014, the notional amount of derivatives on exchange rates was €5,171 million. The increase in their notional value and the associated fair value mainly reflected normal operations and developments in exchange rates.

At December 31, 2014, the notional amount of derivatives on commodities came to €30,157 million.

The positive fair value of trading derivatives on commodities includes, among other elements, hedges of gas and oil amounting to €3,908 million and derivatives on power amounting to €637 million.

The negative fair value of trading derivatives on commodities mainly regards hedges of gas and oil amounting to €3,902 million and derivatives on power amounting to €606 million.

These values include transactions that, although established for hedging purposes, did not meet the requirements for hedge accounting.

## 45. Asset measured at fair value

The Group determines fair value in accordance with IFRS 13 whenever such measurement is required by the international accounting standards as a recognition or measurement criterion.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, in an orderly transaction, between market participants, at the measurement date (i.e. an exit price).

The best proxy of fair value is market price, i.e. the current publically available price actually used on a liquid and active market.

The fair value of assets and liabilities is classified in accordance with the three-level hierarchy described below, depending on the inputs and valuation techniques used in determining their fair value:

- > Level 1, where the fair value is determined on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- > Level 2, where the fair value is determined on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (such as prices) or indirectly (derived from prices);
- > Level 3, where the fair value is determined on the basis of unobservable inputs.

This note also provides detailed disclosures concerning the valuation techniques and inputs used to perform these measurements.

To that end:

- > recurring fair value measurements of assets or liabilities are those required or permitted by the IFRS in the balance sheet at the close of each period;
- > non-recurring fair value measurements are those required or permitted by the IFRS in the balance sheet in particular circumstances.

For general information or specific disclosures on the accounting treatment of these circumstances, please see note 2 "Accounting policies and measurement criteria".

The following table shows, for each class of assets measured at fair value on a recurring or non-recurring basis in the financial statements, the fair value measurement at the end

of the reporting period and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Equity investments in other companies measured at fair value	22	157	157	-	-	-	-	-	-
Service concession arrangements	22	669	-	669	-	-	-	-	-
Securities held to maturity	22.1	139	139	-	-	-	-	-	-
Financial investments in funds	22.1	40	40	-	-	-	-	-	-
<b>Cash flow hedge derivatives:</b>									
- on interest rates	43	5	-	5	-	-	-	-	-
- on exchange rates	43	1,163	-	1,163	-	-	-	-	-
- on commodities	43	107	89	18	-	326	148	178	-
<b>Fair value hedge derivatives:</b>									
- on interest rates	43	55	-	55	-	-	-	-	-
<b>Trading derivatives:</b>									
- on interest rates	43	3	-	3	-	1	-	1	-
- on exchange rates	43	2	-	2	-	157	-	157	-
- on commodities	43	-	-	-	-	4,772	2,590	2,182	-
Inventories measured at fair value	24	-	-	-	-	267	267	-	-
Assets held for sale	30	-	-	-	-	6,778	-	-	6,778

The fair value of equity investments in other companies is determined for listed companies on the basis of the quoted price set on the closing date of the year, while that for unlisted companies is based on a reliable valuation of the relevant assets and liabilities.

"Service concession arrangements" concern electricity distribution operations in Brazil by Ampla and Coelce and are accounted for in accordance with IFRIC 12. Fair value was estimated as the net replacement cost based on the most recent rate information available and on the general price index for the Brazilian market.

The fair value of derivative contracts is determined using the official prices for instruments traded on regulated markets. The fair value of instruments not listed on a regulated market is determined using valuation methods appropriate for each type of financial instrument and market data as of the

close of the period (such as interest rates, exchange rates, volatility), discounting expected future cash flows on the basis of the market yield curve and translating amounts in currencies other than the euro using exchange rates provided by the European Central Bank. For contracts involving commodities, the measurement is conducted using prices, where available, for the same instruments on both regulated and unregulated markets.

In accordance with the new international accounting standards, in 2013 the Group included a measurement of credit risk, both of the counterparty (Credit Valuation Adjustment or CVA) and its own (Debit Valuation Adjustment or DVA), in order to adjust the fair value of financial instruments for the corresponding amount of counterparty risk. More specifically, the Group measures CVA/DVA using a Potential Future Exposure valuation technique for the net exposure of the position and subsequently allocating the adjustment to the individual

financial instruments that make up the overall portfolio. All of the inputs used in this technique are observable on the market. The notional amount of a derivative contract is the amount on which cash flows are exchanged. This amount can be expressed as a value or a quantity (for example tons, converted into euros by multiplying the notional amount by the agreed price).

Amounts denominated in currencies other than the euro are converted into euros at the year-end exchange rates provided by the European Central Bank.

The notional amounts of derivatives reported here do not necessarily represent amounts exchanged between the parties and therefore are not a measure of the Group's credit

risk exposure. For listed debt instruments, the fair value is given by official prices. For unlisted instruments the fair value is determined using appropriate valuation techniques for each category of financial instrument and market data at the closing date of the year, including the credit spreads of Enel SpA.

Finally, "Assets held for sale" primarily regard Slovenské elektrárne. The associated fair value is the estimated realizable value, net of disposal prices, as determined on the basis of the documentation currently available on the sale of the company.

## 45.1 Fair value of other assets

For each class of assets not measured at fair value in the balance sheet but whose fair value must be reported, the following table reports the fair value at the end of the period

and the level in the fair value hierarchy into which the fair value measurements of those assets are classified.

Millions of euro		Non-current assets				Current assets			
	Notes	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
Property investments	16	171	-	17	154	-	-	-	-
Equity investments in other companies	22	13	-	-	13	-	-	-	-
Inventories	24	-	-	-	-	76	-	-	76

The table reports property investments, equity investments in other companies and inventories measured at cost, whose fair value has been estimated at €171 million, €13 million and €76 million respectively. The amounts were calculated with the assistance of appraisals conducted by independent experts, who used different methods depending on the specific assets involved.

The value of equity investments classified in Level 3 increased by €7 million compared with 2013 and regards a number of equity investments of Endesa.

The value of inventories largely regards environmental certificates.

## 46. Liabilities measured at fair value

The following table reports for each class of liabilities measured at fair value on a recurring or non-recurring basis in the financial statements the fair value measurement at the

end of the reporting period and the level in the fair value hierarchy into which the fair value measurements are categorized.

Millions of euro		Non-current liabilities				Current liabilities			
	Notes	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
<b>Cash flow hedge derivatives:</b>									
- on interest rates	43	554	-	554	-	2	-	2	-
- on exchange rates	43	1,627	-	1,627	-	4	-	4	-
- on commodities	43	225	104	121	-	464	144	320	-
<b>Trading derivatives:</b>									
- on interest rates	43	21	-	21	-	75	-	75	-
- on exchange rates	43	10	-	10	-	71	-	71	-
- on commodities	43	4	-	4	-	4,825	3,277	1,548	-
Contingent consideration	39	-	-	-	-	46	-	-	46
Payables for put options granted to minority shareholders	39	13	-	-	13	789	-	-	789
Deferred income	39	-	-	-	-	34	-	34	-
Liabilities held for sale	30	-	-	-	-	5,290	-	-	5,290

Contingent consideration regards a number of equity investments held by the Group in North America, whose fair value was determined on the basis of the contractual terms and conditions between the parties.

The item "Payables for put options granted to minority shareholders" includes the liability for the options on Enel Distributie Muntenia and Enel Energie Muntenia in the total amount of €778 million, determined on the basis of

the exercise conditions in the associated contracts, and €24 million for the liability associated with the options on Renovables de Guatemala (€13 million) and Maicor Wind (€11 million).

The "Liabilities held for sale" main regard Slovenské elektrárne. The fair value is the estimated realizable value, net of disposal prices, as determined on the basis of the documentation currently available on the sale of the company.

## 46.1 Fair value of other liabilities

For each class of liabilities not measured at fair value in the balance sheet but whose fair value must be reported, the following table reports the fair value at the end of the pe-

riod and the level in the fair value hierarchy into which the fair value measurements of those liabilities are classified.

Millions of euro

	Notes	Fair value	Level 1	Level 2	Level 3
<b>Bonds:</b>					
- fixed rate	40.3.1	43,655	35,981	7,674	-
- floating rate	40.3.1	7,245	3,435	3,810	-
<b>Bank borrowings:</b>					
- fixed rate	40.3.1	1,170	-	1,170	-
- floating rate	40.3.1	7,096	-	7,096	-
<b>Non-bank borrowings:</b>					
- fixed rate	40.3.1	1,824	-	1,824	-
- floating rate	40.3.1	420	-	420	-
Short-term payables to banks	40.3.2	30	-	30	-
Commercial paper	40.3.2	2,599	-	2,599	-
Cash collateral and other financing on derivatives	40.3.2	457	-	457	-
Other short-term financial payables	40.3.2	166	-	166	-
<b>Total</b>		<b>64,662</b>	<b>39,416</b>	<b>25,246</b>	<b>-</b>

## 47. Related parties

As an operator in the field of generation, distribution, transport and sale of electricity and the sale of natural gas, Enel carries out transactions with a number of companies directly

or indirectly controlled by the Italian State, the Group's controlling shareholder.

The table below summarizes the main types of transactions carried out with such counterparties.

Related party	Relationship	Nature of main transactions
Acquirente Unico - Single Buyer	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Purchase of electricity for the enhanced protection market
GME - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange Purchase of electricity on the Power Exchange for pumping and plant planning
GSE - Energy Services Operator	Fully controlled (directly) by the Ministry for the Economy and Finance	Sale of subsidized electricity Payment of A3 component for renewable resource incentives
Terna	Indirectly controlled by the Ministry for the Economy and Finance	Sale of electricity on the Ancillary Services Market Purchase of transport, dispatching and metering services
Eni Group	Directly controlled by the Ministry for the Economy and Finance	Sale of electricity transport services Purchase of fuels for generation plants, storage services and natural gas distribution
Finmeccanica Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods
Poste Italiane Group	Fully controlled (directly) by the Ministry for the Economy and Finance	Purchase of postal services

Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as Fondazione Enel and Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance.

All transactions with related parties were carried out on normal market terms and conditions, which in some cases are determined by the Authority for Electricity, Gas and the Water System.

The following tables summarize transactions with related parties, associated companies and joint arrangements

outstanding at December 31, 2014 and carried out during the period.

Millions of euro	Acquirente Unico	GME	Terna	Eni	GSE	Poste Italiane	Other
<b>Income statement</b>							
Revenue from sales and services	-	3,087	1,150	1,124	256	25	63
Other revenue	-	-	4	1	353	-	5
Other financial income	-	-	-	-	-	-	-
Electricity, gas and fuel purchases	4,395	1,690	64	1,229	1	-	2
Services and other materials	-	163	1,886	77	4	119	46
Other operating expenses	3	-	4	46	-	-	-
Net income /(expense) from commodity contracts measured at fair value	17	-	29	-	-	-	-
Other financial expense	-	-	-	-	-	-	-

Millions of euro	Acquirente Unico	GME	Terna	Eni	GSE	Poste Italiane	Other
<b>Balance sheet</b>							
Trade receivables	-	444	544	127	24	5	14
Other current assets	1	7	13	1	102	5	5
Other non-current liabilities	-	-	-	-	-	-	2
Trade payables	762	382	406	443	1,006	45	29
Other current liabilities	-	-	1	-	-	1	-
Non-current derivative financial liabilities	-	-	24	-	-	-	-
<b>Other information</b>							
Guarantees received	-	-	-	150	-	4	24
Commitments	-	-	1	19	-	18	11

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at [http://www.enel.com/en-GB/group/governance/rules/related\\_parties/](http://www.enel.com/en-GB/group/governance/rules/related_parties/)) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementa-

tion of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In 2014, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution 17221 of March 12, 2010, as amended with Resolution 17389 of June 23, 2010.

Key management personnel	Total	Associates and joint arrangements	Overall total	Total in financial statements	% of total
-	5,705	46	5,751	73,328	7.8%
-	363	4	367	2,463	14.9%
-		23	23	1,248	1.8%
-	7,381	214	7,595	36,928	20.6%
-	2,295	145	2,440	17,179	14.2%
-	53	-	53	2,362	2.2%
-	46	-	46	(225)	-20.4%
-	-	28	28	5,540	0.5%

Key management personnel	Total	Associates and joint arrangements	Overall total	Total in financial statements	% of total
-	1,158	62	1,220	12,022	10.1%
-	134	8	142	2,706	5.2%
-	2	-	2	1,464	0.1%
-	3,073	86	3,159	13,419	23.5%
-	2	1	3	10,827	-
-	24	-	24	2,441	1.0%
-	178	-	178		
-	49	-	49		



## 48. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

Millions of euro

	at Dec. 31, 2014	at Dec. 31, 2013	Change
<b>Guarantees given:</b>			
- sureties and other guarantees granted to third parties	4,304	5,685	(1,381)
<b>Commitments to suppliers for:</b>			
- electricity purchases	54,384	42,181	12,203
- fuel purchases	63,605	55,788	7,817
- various supplies	1,782	2,176	(394)
- tenders	1,785	2,001	(216)
- other	2,345	2,696	(351)
<b>Total</b>	<b>123,901</b>	<b>104,842</b>	<b>19,059</b>
<b>TOTAL</b>	<b>128,205</b>	<b>110,527</b>	<b>17,678</b>

For more details on the expiry of commitments and guarantees, please see the section "Commitments to purchase commodities" in note 41.

## 49. Contingent liabilities and assets

### Porto Tolle thermal plant - Air pollution - Criminal proceedings against Enel directors and employees

The Court of Adria, in a ruling issued on March 31, 2006, convicted former directors and employees of Enel for a number of incidents of air pollution caused by emissions from the Porto Tolle thermoelectric plant. The decision held the defendants and Enel (as a civilly liable party) jointly liable for the payment of damages for harm to multiple parties, both natural persons and public authorities. Damages for a number of mainly private parties (individuals and environmental associations) were set at the amount of €367,000. The calculation of the amount of damages owed to certain public entities (Ministry for the Environment, a number of public entities of Veneto and Emilia Romagna, including the area's park agencies) was postponed to a later civil trial, although a "provisional award" of about €2.5 million was immediately due.

An appeal was lodged against the ruling of the Court of Adria and, on March 12, 2009, the Court of Appeal of Venice partially reversed the lower court decision. It found that the former directors had not committed a crime and that there was no environmental damage and therefore ordered recovery of the provisional award already paid. The prosecutors and the civil claimants lodged an appeal against the ruling with the Court of Cassation. In a ruling on January 11, 2011, the Court of Cassation granted the appeal, overturning the decision of the Venice Court of Appeal, and referred the case to the civil section of the Venice Court of Appeal to rule as regards payment of damages and the division of such damages among the accused. As regards amounts paid to a number of public entities in Veneto, Enel has already made payment under a settlement agreement reached in 2008. With a suit lodged in 2011, the Ministry for the Environment, the public entities of Emilia and the private actors who had already participated as injured parties in the criminal case asked the Venice Court of Appeal to order Enel SpA and Enel Produzione to pay civil damages for harm caused by the emissions from the Porto Tolle power station. The amount of damages requested for economic and environmental losses was about €100 million, which Enel contested. During 2013, an agreement was reached – with no admission of liability by Enel/Enel Produzione – with the public entities of

Emilia Romagna to express social solidarity in line with the general sustainability policies of the Group. The suits with the Ministry and private parties (environmental associations and a number of resident individuals, who have received no payments from Enel during the proceedings) remain open. On July 10, 2014, the decision of the Venice Court of Appeal was filed ordering the defendants, jointly with Enel/Enel Produzione, to pay damages in the amount of €312,500, plus more than €55,000 in legal expenses. The Ministry's request for calculation of the amount of damages it claimed it was owed was deemed inadmissible, as grounds for barring such action arose in the course of the criminal proceedings. In the meantime the Court issued a general conviction with damages to be awarded in a separate decision and ordered payment of legal costs.

In August 2011, the Public Prosecutor's Office of Rovigo asked that a number of directors, former directors, officers, former officers and employees of Enel and Enel Produzione be remanded for trial on the charge of willful omission to take precautionary actions to prevent a disaster in respect of the alleged emissions from the Porto Tolle plant. Subsequently, the public prosecutor filed charges of willfully causing a disaster. During 2012, the pre-trial hearing judge of Rovigo, granting the request of the Public Prosecutor's Office of Rovigo, ordered the committal for trial of all of the accused for both offences. The Ministry for the Environment, the Ministry of Health and other actors, mainly local authorities in Emilia Romagna and Veneto, as well as the park agencies of the area, joined the case as injured parties, seeking unspecified damages from the above individuals, without citing Enel or Enel Produzione as liable parties. Evidence was submitted during 2013. During the year, as part of the agreement mentioned earlier, most of the public entities withdrew their suits.

At the hearing of March 31, 2014, the Court sitting en banc issued its ruling of first instance, acquitting all of the accused of the charge of willful omission to take precautionary safety measures. The Court also acquitted all of the accused of the charge of willfully causing a disaster, with the exception of the two former Chief Executive Officers of Enel SpA (although the Court did not grant the request for recognition of aggravating circumstances as provided for when the disaster actually occurs). The former Chief Executive Officers were then ordered to pay unspecified damages in a separate civil action, with a total provisional ruling of €410,000

and payment of court costs for the remaining civil parties to the action. The Court's full ruling was filed at the end of September 2014. The decision was appealed by the two former Chief Executive Officers and by the public prosecutor at the start of November 2014. Further appeals were later filed by (i) the acquitted Chief Executive Officer, in order to obtain the denial of the grounds for appeal of the prosecutor and a broader acquittal than that obtained in the first trial; (ii) two local authorities that had not initially participated; and (iii) the two Ministries (Environment and Health).

## Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees

A criminal proceeding is under way before the Court of Brindisi concerning the Brindisi Sud thermal plant. A number of employees of Enel Produzione – cited as a liable party in civil litigation during 2013 – have been accused of causing criminal damage and dumping of hazardous substances with regard to the alleged contamination of land adjacent to the plant with coal dust as a result of actions between 1999 and 2011. At the end of 2013, the accusations were extended to cover 2012 and 2013. As part of the proceeding, injured parties, including the Province and City of Brindisi, have submitted claims for total damages of about €1.4 billion. The argument phase is under way and hearings of witnesses and technical experts are under way.

Criminal proceedings are also under way before the Courts of Reggio Calabria and Vibo Valentia against a number of employees of Enel Produzione for the offense of illegal waste disposal in connection with alleged violations concerning the disposal of waste from the Brindisi plant. Enel Produzione has not been cited as a liable party for civil damages.

## Out-of-court disputes and litigation connected with the blackout of September 28, 2003

In the wake of the blackout that occurred on September 28,

2003, numerous claims were filed against Enel Distribuzione for automatic and other indemnities for losses. These claims gave rise to substantial litigation before justices of the peace, mainly in the regions of Calabria, Campania and Basilicata, with a total of some 120,000 proceedings. Charges in respect of such indemnities could be recovered in part under existing insurance policies. Most of the initial rulings by these judges found in favor of the plaintiffs, while appellate courts have nearly all found in favor of Enel Distribuzione. The Court of Cassation has also consistently ruled in favor of Enel Distribuzione. At December 30, 2014 pending cases numbered about 23,700 as a result of additional appeals filed despite the abandonment of suits by the plaintiffs and/or joinder of proceedings. In addition, in view of the rulings in Enel's favor by both the courts of appeal and the Court of Cassation, the flow of new claims has come to a halt. Beginning in 2012, a number of actions for recovery were initiated, which continue, to obtain repayment of amounts paid by Enel in execution of the rulings in the courts of first instance.

In May 2008, Enel served its insurance company (Cattolica) a summons to ascertain its right to reimbursement of amounts paid in settlement of unfavorable rulings. The case also involved a number of reinsurance companies in the proceedings, which have challenged Enel's claim. In a ruling of October 21, 2013, the Court of Rome granted Enel's petition, finding the insurance coverage to be valid and ordering Cattolica, and consequently the reinsurance companies, to hold Enel harmless in respect of amounts paid or to be paid to users and their legal counsel as well as, within the limits established by the policies, to pay defense costs.

On the basis of that ruling, in October 2014, Enel filed suit against Cattolica with the Court of Rome to obtain a quantification of the amounts due to Enel and payment of those amounts by Cattolica.

The first hearing has been set for March 30, 2015.

Subsequently, Cattolica appealed the ruling of the court of first instance of October 21, 2013, before the Rome Court of Appeal, asking that it be overturned. The first hearing has been set for April 27, 2015.

## BEG litigation

Following an arbitration proceeding initiated by BEG SpA in Italy, Enelpower obtained a ruling in its favor in 2002, which was upheld by the Court of Cassation in 2010, which entirely rejected the complaint with regard to alleged breach by

Enelpower of an agreement concerning the construction of a hydroelectric power station in Albania.

Subsequently, BEG, acting through its subsidiary Albania BEG Ambient Shpk, filed suit against Enelpower and Enel SpA in Albania concerning the matter, obtaining a ruling, upheld by the Albanian Supreme Court of Appeal, ordering Enelpower and Enel to pay tortious damages of about €25 million for 2004 as well as an unspecified amount of tortious damages for subsequent years. Following the ruling, Albania BEG Ambient Shpk demanded payment of more than €430 million.

The European Court of Human Rights, with which Enelpower SpA and Enel SpA had filed an appeal for violation of the right to a fair trial and the rule of law by the Republic of Albania, rejected the petition as inadmissible. The ruling was purely procedural and did not address the substance of the suit.

In February 2012, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA with the *Tribunal de Grande Instance* in Paris in order to render the ruling of the Albanian court enforceable in France. Enel SpA and Enelpower SpA challenged the suit. The proceeding is still under way and the Court has issued no preliminary or definitive rulings so far.

Subsequently, again at the initiative of Albania BEG Ambient, Enel France was served with two “*Saise Conservatoire de Créances*” (orders for the precautionary attachment of receivables) to conserve any receivables of Enel SpA in respect of Enel France. J.P. Morgan Bank Luxembourg SA was also served with an analogous order in respect of any receivables of Enel SpA.

In March 2014, Albania BEG Ambient Shpk filed suit against Enel SpA and Enelpower SpA in New York to render the ruling of the Albanian court enforceable in the State of New York. Enel SpA and Enelpower, in presenting their defense, contested all aspects of the foundation of the plaintiff's case and took all steps available to them to defend their interests.

On April 22, 2014, in response to a motion filed by Enel and Enelpower, the court revoked the previous ruling issued against the companies freezing assets of around \$600 million. The suit is pending and no measures, preliminary or otherwise, have been taken by the court.

On June 2, 2014 Albania BEG Ambient Shpk obtained an order from the court in the Hague, based upon the preliminary injunction, freezing up to €440 million held with a num-

ber of entities and the establishment of a lien on the shares of two subsidiaries of Enel SpA in that country. Enel SpA and Enelpower SpA challenged that ruling and on July 1, 2014, the Dutch court, in granting the petition of Enel and Enelpower, provisionally determined the value of the suit at €25 million and ordered the removal of the preliminary injunction subject to the issue of a bank guarantee in the amount of €25 million by Enel and Enelpower. Enel and Enelpower have appealed this ruling and, at present, no bank guarantee has been issued.

On July 3, 2014, Albania BEG Ambient Shpk sought to obtain a second order to freeze assets. Following the hearing of August 28, 2014, the court in the Hague granted a preliminary injunction for the amount of €425 million on September 18, 2014. Enel and Enelpower have appealed this injunction and no final ruling has been issued.

At the end of July 2014, Albania BEG Ambient Shpk filed suit in the Netherlands to render the ruling of the Albanian court enforceable in that country.

Albania BEG Ambient Shpk also filed suits in Ireland and Luxembourg to render the ruling of the Court of Tirana enforceable in those two countries. Both of these suits are at a preliminary stage and no rulings have been issued. Enel SpA and Enelpower SpA are preparing their defense challenging the claims put forth by Albania BEG Ambient Shpk.

Proceedings continue in the suit lodged by Enelpower SpA and Enel SpA with the Court of Rome asking the Court to ascertain the liability of BEG SpA for having evaded compliance with the arbitration ruling issued in Italy in favor of Enelpower SpA through the legal action taken by Albania BEG Ambient Shpk. With this action, Enelpower SpA and Enel SpA are asking the Court to find BEG liable and order it to pay damages in the amount that the other could be required to pay to Albania BEG Ambient Shpk in the event of the enforcement of the sentence issued by the Albanian courts. At the most recent hearing of March 12, 2015, the Court took up the case for a ruling, granting the parties the statutory period for the filing of final arguments and rejoinders.

## Violations of Legislative Decree 231/2001

The following four cases for alleged violation of Legislative Decree 231/2001 concerning the administrative liability of

legal persons are pending. Three involve Enel Produzione and one involves Enel Distribuzione, for omission of accident prevention measures:

- > for a fatal accident involving an employee of a subcontractor at the Enel Federico II plant at Brindisi in 2008, Enel Produzione has been charged with administrative liability for manslaughter;
- > for an accident involving an employee of a subcontractor at the Enel Federico II plant at Brindisi in 2009, Enel Produzione has been charged with administrative liability for negligent personal injury;
- > for a fatal accident involving an employee of a subcontractor at the Enel plant at Termini Imerese in 2008, Enel Produzione has been charged with administrative liability for manslaughter;
- > for a fatal accident involving an employee of a subcontractor in Palermo in 2008, Enel Distribuzione has been charged with administrative liability for manslaughter.

The above proceedings are still in the argument phase, while the first has reached the discussion phase.

## Red Eléctrica de España arbitration - Spain

On July 1, 2010, in compliance with legal requirements, En- des a Distribución Eléctrica ("EDE") signed a contract with Red Eléctrica de España ("REE") for the sale of assets consisting of the transmission network owned by EDE. The price was set at about €1,400 million. The contract provided for a price adjustment if remuneration decreased or increased following the liquidation carried out by the *Comisión Nacional de los Mercados y la Competencia* (CNMC) by December 31, 2013.

REE's interpretation of Ministerial Order IET/2443/2013, published in December 2013, would produce a lower remuneration than that provided for in the contract and, on that basis, the company undertook an arbitration proceeding before the *Corte Civil y Mercantil de Arbitraje* (CIMA), asking for an adjustment of the sale price.

The value of the claim was subsequently quantified at €94 million.

The proceeding is in the initial stage and EDE is conducting its defense.

## Basilus litigation (formerly Meridional) - Brazil

The Brazilian construction company Basilus S/A Serviço, Empreendimento y Participações (formerly Meridional) held a contract for civil works with the Brazilian company CELF (owned by the State of Rio de Janeiro), which withdrew from the contract. As part of its privatization, CELF transferred its assets to Ampla Energia e Serviços SA (Ampla). In 1998, Basilus filed suit against Ampla, arguing that the transfer had infringed its rights and that it had been defrauded.

Ampla obtained favorable judgments in the courts of first and second instance. Although the second-level decision was adjudicated, Basilus lodged a special appeal (*mandado de segurança*) in September 2010 asking for the adverse ruling to be overturned. That request was denied.

Subsequently Basilus lodged a new appeal with the *Tribunal Superior de Justiça*, which is still pending.

The amount involved in the dispute is about 1,096 million Brazilian reais (about €336 million).

## CIEN litigation - Brazil

In 1998 the Brazilian company CIEN signed an agreement with Tractebel for the delivery of electricity from Argentina through its Argentina-Brazil interconnection line. As a result of Argentine regulatory changes introduced as a consequence of the economic crisis in 2002, CIEN was unable to make the electricity available to Tractebel. In October 2009, Tractebel sued CIEN, which submitted its defense. CIEN cited force majeure as a result of the Argentine crisis as the main argument in its defense. Out of court, Tractebel has indicated that it plans to acquire 30% of the interconnection line involved in the dispute.

In March 2014, the court granted CIEN's motion to suspend the proceedings in view of the existence of other litigation pending between the parties.

The amount involved in the dispute is estimated at about 118 million Brazilian reais (about €40 million), plus unspecified damages.

For analogous reasons, in May 2010 Furnas also filed suit against CIEN for failure to deliver electricity, requesting payment of about 520 million Brazilian reais (about €175 million), in addition to unspecified damages.

In alleging non-performance by CIEN, Furnas is also seeking to acquire ownership (in this case 70%) of the interconnection line.

CIEN's defense is similar to the earlier case. The claims put forth by Furnas were rejected by the trial court in August 2014. Furnas lodged an appeal (not yet notified to CIEN) against the latter decision.

## Cibran litigation - Brazil

Companhia Brasileira de Antibióticos (Cibran) has filed a number of suits against Ampla Energia e Serviços SA (Ampla) to obtain damages for alleged losses incurred as a result of the interruption of service by the Brazilian distribution company. The Court ordered a unified technical appraisal for those cases, the findings of which were partly unfavorable to Ampla. The latter challenged the findings, asking for a new study. The proceedings concerning that petition are pending.

In September 2014, the court of first instance issued a ruling against Ampla in one of the various suits noted above, levying a penalty of about 200,000 Brazilian reais (about €60,000) as well as other damages to be quantified at a later stage. Ampla has appealed the ruling and the appeal is under way.

A decision by the court of first instance on the other suits is still pending.

The value of all of the disputes is estimated at about 166 million Brazilian reais (about €50 million).

## Coperva litigation - Brazil

As part of the project to expand the grid in rural areas of Brazil, in 1982 Companhia Energética do Ceará SA ("Coelce"), then owned by the Brazilian government and now an Enel Group company, had entered into contracts for the use of the grids of a number of cooperatives established specifically to pursue the expansion project. The contracts provided for the payment of a monthly fee by Coelce, which was also required to maintain the networks.

Those contracts, between cooperatives established in special circumstances and the then public-sector company, do not specifically identify the grids governed by the agreements, which has prompted a number of the cooperatives to sue Coelce asking for, among other things, a revision of the fees agreed in the contracts. These actions include the suit filed by Cooperativa de Eletrificação Rural do V do Acaraú Ltda (Coperva) with a value of about 161 million Brazilian reais (about €49 million). The court of first instance ruled in favor of Coelce but Coperva has appealed the decision.

## SAPE (formerly Electrica) arbitration proceedings - Romania

On June 11, 2007, Enel SpA entered into a Privatization Agreement with SC Electrica SA for the privatization of Electrica Muntenia Sud ("EMS"). The accord provided for the sale to Enel of 67.5% of the Romanian company. In accordance with the unbundling rules, in September 2008 the distribution and electricity sales operations were transferred to two new companies, Enel Distribuție Muntenia ("EDM") and Enel Energie Muntenia ("EEM"). In December 2009, Enel transferred the entire capital of the two companies to Enel Investment Holding BV ("EIH").

On July 5, 2013, Electrica notified Enel SpA, EIH, EDM and EEM (limited to a number of claims) of a request for arbitration before the International Chamber of Commerce in Paris, claiming damages for alleged violations of specific clauses of the Privatization Agreement.

More specifically, the plaintiff claimed payment of penalties of about €800 million, plus interest and additional unspecified damages.

The proceeding is under way and Enel is conducting its defense.

On September 29, 2014, SAPE notified Enel and Enel Investment Holding that it had submitted a further arbitration request to the International Court of Arbitration in Paris seeking around €500 million (plus interest) in connection with the put option contained in the Privatization Agreement. The put option gives SAPE the right to sell a 13.57% stake in Enel Distribuție Muntenia and Enel Energie Muntenia.

The suit is at a preliminary stage.

## Gabčíkovo dispute - Slovakia

Slovenské elektrárne (SE) is involved in a number of cases before the national courts concerning the 720 MW Gabčíkovo hydroelectric plant, which is administered by Vodohospodárska Výstavba Štátny Podnik ("VV") and whose operation and maintenance, as part of the privatization of SE in 2006, had been entrusted to SE for a period of 30 years under a management agreement (the VEG Operation Agreement).



Immediately after the closing of the privatization, the Public Procurement Office (PPO) filed suit with the Court of Bratislava seeking to void the VEG Operation Agreement on the basis of alleged violations of the regulations governing public tenders, qualifying the contract as a service contract and as such governed by those regulations. In November 2011 the court of first instance ruled in favor of SE, whereupon the PPO appealed the decision.

In parallel with the PPO action, VV also filed a number of suits, asking in particular for the voidance of the VEG Operation Agreement and for SE to pay VV the revenue from the sale of electricity generated by the plant since 2006.

SE considers the claims of VV to be unfounded and is contesting the various suits, which have been suspended pending a decision in the proceeding launched by the PPO.

On March 9, 2015, the decision of the appeals court overturned the ruling of the court of first instance and voided the contract. The ruling will be appealed once the decision is officially notified.

## LaGeo arbitration

The case regards a complex dispute that began in October 2008, when Enel Produzione (succeeded by Enel Green Power - "EGP") undertook arbitration action before the International Chamber of Commerce in Paris against Comisión Ejecutiva Hidroeléctrica ("CEL", wholly owned by the government of El Salvador) and its subsidiary Inversiones Energéticas ("INE"). Enel claimed breach of the shareholders' agreement regarding the Salvadoran company LaGeo, which operated in the geothermal industry. Enel's claims were upheld in the initial ruling, the second ruling and before the Court of Cassation in France, but in the meantime a number of actions were undertaken in El Salvador against EGP to void the shareholders' agreement and involve the company as a civilly liable party in a criminal enquiry into alleged "*peculado*" in the acquisition of LaGeo. In addition, in July 2013 the Parliament of El Salvador passed a measure approving the withdrawal of El Salvador from the Washington Convention of 1965, which allowed foreign investors to bring claims against a state before the International Center for Settlement of Investment Disputes (ICSID). Before that law was enacted, however, Enel had initiated a proceeding before the ICSID to preserve its rights against the interference of the Salvadoran government in EGP's relations with CEL.

On December 7, 2014, within the ICSID arbitration pro-

ceeding, EGP and the Republic of El Salvador signed a framework agreement to settle the multiple disputes concerning EGP's investments in LaGeo.

Under the provisions of the accord, in December 2014, following the revocation of the seizure of EGP's assets in El Salvador, EGP sold its entire stake in LaGeo (equal to 36.2%) to INE for about \$280 million.

The full effectiveness of the final settlement of the dispute with the Republic of El Salvador and the termination of the ICSID arbitration proceeding are subject to a number of specific conditions (termination of the pending local litigation against EGP and its representatives) to be verified in the next six months. Pending final resolution, the ICSID proceeding has been suspended.

## Dispute between Energia XXI Energias Renováveis e Consultoria Limitada and Enel Green Power España

In 1999 Energia XXI filed for arbitration against MADE (now Enel Green Power España) for alleged losses incurred due to the early termination of an agency contract for the sale of wind generators and wind farms of Enel Green Power España in Portugal and Brazil. With its ruling of November 21, 2000, the arbitration board found that the termination of the contract by MADE was illegitimate and ordered it to pay: (i) legal costs; (ii) the fixed portion of the monthly fee for the period from July 21, 1999 (date of termination of contract) to October 9, 2000 (expiration date of the contract), equal to about €50,000; (iii) as well as lost profits to be determined in respect of contracts for at least 15 MW of capacity. Following the arbitration ruling, two civil court cases began:

- > the first appeal was lodged by MADE with the *Tribunal Judicial de Primera Instancia* asking for the arbitration ruling to be voided. The case is still pending with the court of first instance following referral by the Court of Appeal (subsequently confirmed by the Supreme Court of Appeal on September 26, 2013), which granted Enel Green Power España's appeal of the admission of briefs;
- > the second appeal was lodged by Energia XXI on May 9, 2006, with the Civil Court of Lisbon, with which Energia XXI asked for Enel Green Power España to be ordered to pay the amount determined in the arbitration ruling (the losses for which Energia XXI now puts at €546 mil-

lion). Enel Green Power España considers the claim to be unfounded. Acting on a petition by Enel Green Power España, the court has so far suspended the case pending resolution of the first suit.

## CIS and Interporto Campano

On December 4, 2009 and August 4, 2010 Enel Green Power SpA signed, with Interporto Campano and Centro Ingrosso Sviluppo Campania Gianni Nappi SpA ("CIS"), respectively, a leasehold agreement with a term of more than nine years and a leasehold estate for the rooftops of the industrial sheds of CIS and Interporto Campano in order to build and operate a photovoltaic plant. Two fires subsequently broke out at those sheds: the first occurred on April 22, 2011, during the construction of the plant, while the second broke out on March 26, 2012.

Following the fires, CIS undertook two arbitration proceedings, on November 3, 2012 and May 23, 2014, respectively, with the latter undertaken together with Interporto Campano.

In the arbitration ruling filed on January 31, 2015, the ruling of the arbitration board in the first proceeding found against the contractor as well as contributory negligence on the part of both CIS and Enel Green Power ("EGP"), ordering EGP to pay CIS about €2.5 million, equal to half of the damages originally admitted for indemnification. In the second arbitration proceeding, CIS and Interporto Campano sought the termination of the leasehold estate and the more-than-9-year lease as well as damages for alleged losses following breaches by EGP quantified in the amount of about €65 million, of which about €35 million for costs incurred in dismantling the photovoltaic plants. EGP asked for the suits to be dismissed and filed a counterclaim for damages of about €40 million. The proceeding is at an early stage.

## Bocamina II arbitration - Chile

Litigation is under way concerning the contract for the construction of the second unit of the Bocamina thermal plant ("Bocamina II"). The contract was agreed in 2007 by Endesa Chile with a consortium made up of Ingeniería y

Construcción Tecnimont Chile Compañía Limitada, Tecnimont SpA, Tecnimont do Brasil Construção and Administração de Projetos Ltda (together, "Tecnimont"), Slovenske Energetike Strojarnje AS and Ingeniería y Construcción SES Chile Limitada (together "SES"). On October 17, 2012 Endesa Chile submitted a request for arbitration before the International Chamber of Commerce in Paris, citing the non-performance of the consortium and claiming damages (subsequently quantified in the amount of about \$373 million, or about €270 million).

During the arbitration proceedings, the consortium filed a counterclaim against Endesa Chile in the amount of about \$1,300 million – about €940 million (most of which in the form of damages for the alleged harm to the image of Tecnimont following the execution of the bank guarantees by Endesa Chile).

In January 2015, Endesa Chile and the consortium signed a settlement agreement to close the arbitration proceeding (and forestall any other possible litigation) concerning the EPC contract for the construction of the Bocamina II project.

## Tax litigation in Brazil

> In 1998, Ampla Energia e Serviços SA financed the acquisition of Coelce with the issue of bonds in the amount of \$350 million ("Fixed Rate Notes" - FRN) subscribed by its Panamanian subsidiary, which had been established to raise funds abroad. Under the special rules then in force, subject to maintaining the bond until 2008, the interest paid by Ampla to its subsidiary was not subject to withholding tax in Brazil.

However, the financial crisis of 1998 forced the Panamanian company to refinance itself with its Brazilian parent, which for that purpose obtained loans from local banks. The tax authorities considered this financing to be the equivalent of the early extinguishment of the bond, with the consequent loss of entitlement to the exemption from withholding tax.

In December 2005, Ampla Energia e Serviços SA carried out a spin-off in favor of Ampla Investimentos e Serviços SA that involved the transfer of the residual FRN debt and the associated rights and obligations.

On November 6, 2012, the *Camara Superior de Recursos Fiscales* (the highest level of administrative courts) issued a ruling against Ampla, for which the company promptly asked that body for clarifications. On October 15, 2013,



Ampla was notified of the denial of the request for clarification ("*Embargo de Declaración*"), thereby upholding the previous adverse decision. The company provided security for the debt and on June 27, 2014 continued litigation before the ordinary courts ("*Tribunal Superior de Justiça*").

The amount involved in the dispute at December 31, 2014 was about €332 million.

- > In 2002, the State of Rio de Janeiro changed the deadlines for payment of the ICMS (*Imposto sobre Circulação de Mercadorias e Serviços*) by withholding agents (to the 10th, 20th and 30th of each month - *Ley Benedicta*). Owing to liquidity problems, between September 2002 and February 2005, Ampla Energia e Serviços continued to pay the ICMS in compliance with the previous system (the 5th day of the subsequent month). Despite an informal agreement, the Brazilian tax authorities issued an assessment for late payment of the ICMS ("*multa de demora*"). Ampla appealed the measure (the highest level of administrative courts), arguing that the penalties imposed were not due owing to the application of a number of amnesties granted between 2004 and 2006. In the event of an adverse ruling, the company will continue litigation before the ordinary courts.

While the outcome of the final administrative proceedings is not yet known, following the registration of the claim in the Public Registry of the State of Rio de Janeiro, Ampla was required to provide security.

The amount involved in the dispute at December 31, 2014 was about €83 million.

- > The States of Rio de Janeiro and Ceará issued a number of tax assessments against Ampla Energia e Serviços (for the years 1996-1999 and 2007-2012) and Companhia

Energética do Ceará (for the years 2003, 2004 and 2006-2009), challenging the deduction of ICMS in relation to the purchase of certain assets. The companies challenged the assessments, arguing that they correctly deducted the tax and asserting that the assets, the purchase of which generated the ICMS, are intended for use in their electricity distribution activities.

The amount involved in the disputes totaled approximately €58 million at December 31, 2014.

- > On November 4, 2014, the Brazilian tax authorities issued an assessment against Endesa Brasil SA (now Enel Brasil SA) alleging the failure to apply withholding tax to payments of allegedly higher dividends to non-resident recipients.

More specifically, in 2009, Endesa Brasil, as a result of the first-time application of the IFRS-IAS, had cancelled goodwill, recognizing the effects in equity, on the basis of the correct application of the accounting standards it had adopted. The Brazilian tax authorities, however, asserted – during a tax assessment – that the accounting treatment was incorrect and that the effects of the cancellation should have been recognized through profit or loss. As a result, the corresponding value (about €202 million) was reclassified as a payment of income to non-residents and, therefore, subject to withholding tax of 15%.

On December 2, 2014, the company appealed the initial ruling, arguing that its accounting treatment was correct. It should be noted that the accounting treatment adopted by the company was agreed with the external auditor and also confirmed by a specific legal opinion issued by a local firm specializing in corporate law.

The overall amount involved in the dispute at December 31, 2014 was about €66 million.

## 50. Events after the reporting period

### Enel Green Power extends framework accord with Vestas to develop additional wind capacity in the United States

On January 12, 2015 Enel Green Power, acting through its subsidiary Enel Green Power North America Inc. ("EGP NA"),

extended the framework agreement signed at the end of 2013 with Vestas for the development of wind farms in the United States.

The 2013 agreement, which provided for the supply of Vestas wind turbines, has supported EGP NA's recent successful growth in the United States.

The capacity yet to be developed under the 2013 agreement, together with the current extension, will enable EGP NA to qualify up to approximately 1 GW of future wind capacity in the United States for Federal Production Tax Credits (PTCs).

## Exchange of bonds and issue of new bonds

On January 27, 2015, Enel Finance International NV ("EFI"), a wholly-owned subsidiary of Enel SpA, following a non-binding public exchange offer that ran from January 14 to January 21, purchased bonds issued by EFI and guaranteed by Enel in the total amount of €1,429,313,000. The consideration for the purchase was represented by (i) senior fixed-rate notes with a minimum lot size of €100,000 (and multiples of €1,000) issued by EFI (under the Global Medium-Term Notes program of EFI and Enel) and guaranteed by Enel, in the principal amount of €1,462,603,000 and (ii) cash in the amount of €194,365,920. The transaction was carried out as part of the optimization of EFI's financial management. It is intended to pursue active management of the Group's maturity structure and the cost of funds. The new notes, which EFI issued as part of the exchange offer under the Global Medium-Term Notes program with an Enel guarantee, bear an interest rate of 1.966% and mature on January 27, 2025.

## New bond issue of up to €1 billion to back exchange offers for existing bonds is authorized

On January 26, 2015, the Board of Directors authorized one or more new bond issues, to be carried out by December 31, 2015, with a total maximum principal amount of up to €1 billion. The authorization is intended to allow Enel to make new bond issues to serve any exchange offers for bonds previously issued by the Company under the Global Medium-Term Notes program, in order to optimize the Enel Group's capital and financial structure and to permit it to seize any opportunities that may arise in international financial markets.

## Disposal of SF Energy

On January 29, 2015, the agreement signed on November 7, 2014 by Enel Produzione, a subsidiary of Enel, for the sale of its stake in SF Energy was finalized at a price of €55 million. Of the entire stake, 50% was sold to SEL - Società Elettrica Alto-

atesina (the counterparty in the agreement), while the remaining 50% was sold to Dolomiti Energia following exercise of its pre-emption rights. The disposal is part of the agreements between Enel Produzione and SEL.

The agreements also provide for the sale of the 40% stake held by Enel Produzione in SE Hydropower for €345 million. The latter transaction will be finalized only upon meeting the final condition provided for under the terms of the agreement, namely for SEL to obtain a bank commitment to provide the funding for the purchase of the equity stake. The condition is expected to be met by the end of the 1st Quarter of 2015.

## Renegotiation of revolving credit line of about €9.4 billion

On February 12, 2015, Enel SpA and its Dutch subsidiary Enel Finance International NV renegotiated the revolving credit facility of about €9.4 billion agreed on February 8, 2013, reducing its cost and extending the facility's maturity to 2020 from the original expiry date of April 2018.

The credit facility, which can be used by Enel and/or by Enel Finance International with a Parent Company guarantee, is not connected with the Group's debt refinancing program. It is intended to provide the Group's treasury with an extremely flexible and practical instrument for managing working capital. The cost of the credit facility varies in relation to Enel's credit rating and bears a spread on Euribor that, based upon Enel's current rating, falls to 80 basis points from the previous 190 basis points, while the commitment fee has been reduced to 35% of the spread from the previous 40%, i.e. from 76 basis points to 28 basis points.

A number of Italian and foreign banks were involved in the transaction, with Mediobanca serving as the Documentation Agent.

## Updates of disposal plan

On February 25, 2015, the Enel Board of Directors examined the updates of the plan for disposals of the Group's equity investments in Eastern Europe, announced to the market on July 10, 2014. Under the strategic guidelines set out in the new business plan to be presented to the financial community, it decided to suspend the process of disposing of the distribution and sales assets in Romania and to continue with the disposal of the generation assets held in Slovakia.

# 51. Share-based incentive plans

Between 2000 and 2008, Enel implemented stock incentive plans (stock option plans and restricted share units plans) each year in order to give the Enel Group – in line with international business practice and the leading Italian listed companies – a means for fostering management motivation and loyalty, strengthening a sense of corporate team spirit in our key personnel, and ensuring their enduring and constant effort to create value, thus creating a convergence of interests between shareholders and management.

The remainder of this section describes the features of the stock incentive plans adopted by Enel and still in place in 2014.

## 2008 stock option plan

The 2008 plan provides for the grant of personal, non-transferable inter vivos options to subscribe a corresponding number of newly issued ordinary Enel shares to senior managers selected by the Board of Directors. The main features of the 2008 plan are discussed below.

### Beneficiaries

The beneficiaries of the plan – who include the person who at the time of the grant of the options is CEO of Enel in his or her capacity as General Manager – comprise the small number of managers who represent the first reporting line of top management. The head of the Infrastructure and Networks Division does not participate but has received other incentives linked to specific objectives regarding the Division's business area. The exclusion was motivated by the obligation for Enel – connected with the full liberalization of the electricity sector as from July 1, 2007 – to implement administrative and accounting unbundling so as to separate the activities included in the Infrastructure and Networks Division from those of the Group's other business areas. The beneficiaries have been divided into two brackets (the first includes only the CEO of Enel in his capacity as General Manager) and the basic number of options granted to each has been determined on the basis of their gross annual compensation and the strategic importance of their positions, as well as the price of Enel shares at the start of the period covered by the plan (January 2, 2008).

### Exercise conditions

The right to subscribe the shares was subordinate to the

condition that the executives concerned remain employed within the Group, with a few exceptions (such as, for example, termination of employment because of retirement or permanent invalidity, exit from the Group of the company at which the executive is employed, and succession *mortis causa*) specifically governed by the Regulations.

The vesting of the options is subject to achievement of two operational objectives, both calculated on a consolidated, three-year basis: (i) earnings per share (EPS, equal to Group net income divided by the number of Enel shares in circulation) for the 2008-2010 period, determined on the basis of the amounts specified in the budgets for those years and (ii) the return on average capital employed (ROACE, equal to the ratio between operating income and average net capital employed) for the 2008-2010 period, also determined on the basis of the amounts specified in the budgets for those years. Depending on the degree to which the objectives are achieved, the number of options that can actually be exercised by each beneficiary is determined on the basis of a performance scale established by the Enel Board of Directors and may vary up or down with respect to the basic option grant by a percentage amount of between 0% and 120%.

### Exercise procedures

Once achievement of the operational objectives has been verified, the options can be exercised as from the third year after the grant year and up to the sixth year as from the grant year. The options can be exercised at any time, with the exception of two blocking periods lasting about one month before the approval of the draft annual financial statements of Enel SpA and the half-year report by the Board of Directors.

### Strike price

The strike price was originally set at €8.075, equal to the reference price for Enel shares observed on the electronic stock exchange of Borsa Italiana on January 2, 2008. The strike price was modified by the Board of Directors on July 9, 2009 – which set it at €7.118 – in order to take account of the capital increase completed by Enel that month and the impact that it had on the market price of Enel shares.

Subscription of the shares is charged entirely to the beneficiaries, as the plan does not provide for any facilitated terms to be granted in this respect.

## Shares serving the plan

In June 2008, the Extraordinary Shareholders' Meeting granted the Board of Directors a five-year authorization to carry out a paid capital increase in the maximum amount of €9,623,735.

The Board of Directors has not implemented the capital increase in the light of developments in the Enel stock price.

## Developments in the 2008 stock option plan

The Board of Directors has determined that in the 2008-2010 period both EPS and ROACE exceeded the levels set out in the budgets for those years, thereby enabling the options to vest in an amount equal to 120% of those originally granted to the beneficiaries, in application of the performance scale established by the Enel Board of Directors.

The following table reports developments in the 2008 stock option plan:

Total options granted	Number of beneficiaries	Strike price	Verification of plan conditions	Options exercised at Dec. 31, 2013	Options lapsed at Dec. 31, 2013	Options lapsed in 2014	Options outstanding at Dec. 31, 2014
8,019,779 <sup>(1)</sup>	16 Group executives	€8.075 <sup>(2)</sup>	Rights vested	None	None	9,623,735	None

(1) Following the review conducted by the Enel Board of Directors on the occasion of the approval of the Enel Group's consolidated financial statements for 2010 to determine the degree to which the two operational targets (EPS and ROACE) had been achieved, a total of 9,623,735 options have vested.

(2) The strike price was changed to €7.118 as from July 9, 2009 in order to take account of the impact of the capital increase completed by Enel that month on the market price of Enel shares.

It should be noted that the overall dilution of share capital as at December 31, 2014 attributable to the exercise of the stock options granted under the various plans amounts to 1.31%.

The following table summarizes developments over the course of 2012, 2013 and 2014 in the Enel stock option plans, detailing the main assumptions used in calculating their fair value.

## Developments in stock option plans

Number of options	2008 plan
Options granted at December 31, 2012	9,623,735 <sup>(1)</sup>
Options exercised at December 31, 2012	
Options lapsed at December 31, 2012	
Options outstanding at December 31, 2012	9,623,735 <sup>(1)</sup>
Options lapsed in 2013	-
Options outstanding at December 31, 2013	9,623,735 <sup>(1)</sup>
Options lapsed in 2014	9,623,735 <sup>(1)</sup>
Options outstanding at December 31, 2014	-
Fair value at grant date (euro)	0.17
Volatility	21%
Option expiry	December 2014

(1) Following the review conducted by the Enel SpA Board of Directors on the occasion of the approval of the Enel Group's consolidated financial statements for 2010 to determine the degree to which the two operational targets (EPS and ROACE) set for the 2008 plan had been achieved, a total of 9,623,735 options have vested (120% of the 8,019,779 options originally granted).

## Restricted share units plan 2008

In June 2008 Enel's Ordinary Shareholders' Meeting appro-

ved an additional incentive mechanism, a restricted share units plan. The plan – which is also linked to the performance of Enel shares – differs from the stock option plans in that it does not involve the issue of new shares and therefore has no diluting effect on share capital. It grants the beneficiaries

rights to receive the payment of a sum equal to the product of the number of units exercised and the average value of Enel shares in the month preceding the exercise of the units.

## Beneficiaries

The plan covers the management of the Enel Group (including the managers already participating in the 2008 stock option plan, which includes the person who at the time of the grant of the units is CEO of Enel in his or her capacity as General Manager), with the exception of the managers of the Infrastructure and Networks Division for the reasons discussed with the 2008 stock option plan. The beneficiaries have been divided into brackets and the basic number of units granted to each has been determined on the basis of the average gross annual compensation of the bracket, as well as the price of Enel shares at the start of the period covered by the plan (January 2, 2008).

## Exercise conditions

Exercise of the units – and the consequent receipt of the payment – is subordinate to the condition that the executives concerned remain employed within the Group, with a few exceptions (such as, for example, termination of employment because of retirement or permanent invalidity, exit of the company at which the beneficiary is employed from the Group or succession *mortis causa*) specifically governed by the Regulations. As regards other exercise conditions, the plan first establishes a suspensory operational objective (a “hurdle target”): (i) for the first 50% of the basic number of units granted, Group EBITDA for 2008-2009, calculated on the basis of the amounts specified in the budgets for those years; and (ii) for the remaining 50% of the basic number of units granted, Group EBITDA for 2008-2010, calculated on the basis of the amounts specified in the budgets for those years.

If the hurdle target is achieved, the actual number of units that can be exercised by each beneficiary is determined on the basis of a performance objective represented by:

- > for the first 50% of the basic number of units granted, a comparison on a total shareholders’ return basis – for the period from January 1, 2008 to December 31, 2009 – between the performance of ordinary Enel shares on the electronic stock exchange of Borsa Italiana SpA and that of a specific benchmark index calculated as the average of the performance of the MIBTEL index (weight: 50%) – replaced with the FTSE Italia All Share index after an

- analogous substitution by Borsa Italiana in 2009 – and the Bloomberg World Electric Index (weight: 50%); and
- > for the remaining 50% of the basic number of units granted, a comparison on a total shareholders’ return basis – for the period from January 1, 2008 to December 31, 2010 – between the performance of ordinary Enel shares on the electronic stock exchange of Borsa Italiana SpA and the benchmark index calculated as the average of the performance of the MIBTEL index (weight: 50%) – replaced in 2009 with the FTSE Italia All Share index as indicated above – and the Bloomberg World Electric Index (weight: 50%).

The number that can be exercised may vary up or down with respect to the basic unit grant by a percentage amount of between 0% and 120% as determined on the basis of a specific performance scale.

If the hurdle target is not achieved in the first two-year period, the first tranche of 50% of the units granted may be recovered if the same hurdle target is achieved over the longer three-year period indicated above. It is also possible to extend the validity of the performance level registered in the 2008-2010 period to the 2008-2009 period, where performance was higher in the longer period, with the consequent recovery of units that did not actually vest in the first two-year period because of the lower performance level and on the condition that the first 50% of the basic unit grant has not yet been exercised.

## Exercise procedures

Once achievement of the hurdle target and the performance objectives has been verified, of the total number of units granted, 50% may be exercised as from the second year subsequent to the grant year and the remaining 50% as from the third year subsequent to the grant year, with the deadline for exercising all the units being the sixth year subsequent to the grant year. In any event, each year the units can only be exercised during four time windows of ten business days each (to be announced by Enel over the course of the plan) in the months of January, April, July and October.

## Developments in the 2008 restricted share units plan

The review conducted by the Board of Directors to verify satisfaction of the exercise conditions found the following. For the first 50% of the basic units granted, in 2008-2009

the hurdle target for Group EBITDA had been achieved and Enel shares had slightly outperformed the benchmark index, meaning that according to the performance scale 100% of the units originally granted had vested. For the remaining 50% of the basic grant awarded, in 2008-2010 the hurdle target for Group EBITDA had been achieved and Enel shares significantly outperformed the benchmark index, meaning that according to the performance scale an amount equal to 120% of the units originally granted had

vested. In view of the fact that the level of achievement of the performance targets over the 2008-2010 period was higher than that achieved in 2008-2009, it is therefore possible to recover the units that did not vest in 2008-2009 as a result of the lower level of achievement of the performance targets for beneficiaries who had not yet exercised the first 50% of the basic units granted before achievement of the targets for 2008-2010 had been ascertained.

The following table reports developments in the 2008 restricted share units plan.

Number of RSU	2008 plan
RSU outstanding at December 31, 2012	254,314
<i>of which vested at December 31, 2012</i>	<i>254,314</i>
RSU lapsed in 2013	-
RSU exercised in 2013	24,540
RSU outstanding at December 31, 2013	229,774
<i>of which vested at December 31, 2013</i>	<i>229,774</i>
RSU lapsed in 2014	3,421
RSU exercised in 2014	226,353
RSU outstanding at December 31, 2014	-
<i>of which vested at December 31, 2014</i>	<i>-</i>
Fair value at the grant date (euro)	3.16
Expiry of the restricted share units	December 2014

# Report of the independent audit firm on the 2014 consolidated financial statements of the Enel Group

**Enel S.p.A.**

**Consolidated Financial Statements as of December 31, 2014**

**Independent auditors' report  
pursuant to articles 14 and 16 of Legislative Decree n. 39  
dated January 27, 2010  
(Translation from the original Italian text)**



## **Independent auditors' report**

**pursuant to articles 14 and 16 of Legislative Decree n. 39 dated January 27, 2010  
(Translation from the original Italian text)**

To the Shareholders of  
Enel S.p.A.

1. We have audited the consolidated financial statements of Enel S.p.A. and its subsidiaries ("Enel Group") as of December 31, 2014 and for the year then ended comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in shareholders' equity, the statement of cash flows and the related notes to the financial statements. The preparation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38/2005 is the responsibility of Enel S.p.A.'s directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements of the prior year and the balance sheet as of January 1, 2013 are presented for comparative purposes. As illustrated in the notes to the financial statements, the directors have restated certain comparative figures related to the prior year and the balance sheet as of January 1, 2013, which is derived from the consolidated financial statements as of December 31, 2012, with respect to the figures previously presented, upon which we issued our auditors' reports on April 10, 2014 and on April 4, 2013, respectively. We have examined the method used to restate the comparative figures and the related information presented in the notes to the financial statements, for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2014 and for the year then ended.

3. In our opinion, the consolidated financial statements of the Enel Group as of December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Enel Group for the year then ended.

4. The directors of Enel S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure, published in the section *Governance* of Enel S.p.A.'s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the report on operations and of the information presented in compliance with article 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the report on corporate governance and ownership structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information presented in compliance with article 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the report on corporate governance and ownership structure, are consistent with the consolidated financial statements of the Enel Group as of December 31, 2014.

Rome, April 8, 2015

Reconta Ernst & Young S.p.A.

Signed by: Massimo delli Paoli, Partner

*This report has been translated into the English language solely for the convenience of international readers.*

## **Condensed consolidated quarterly financial statements at March 31, 2017**

## Condensed Consolidated Income Statement

Millions of euro	Notes	1st Quarter	
		2017	2016
Total revenue	4.a	19,366	17,872
Total costs	4.b	17,091	15,122
Net income/(expense) from commodity contracts measured at fair value	4.c	250	(80)
<b>Operating income</b>		<b>2,525</b>	<b>2,670</b>
Financial income		569	1,592
Financial expense		1,233	2,444
<b>Total net financial income/(expense)</b>	4.d	<b>(664)</b>	<b>(852)</b>
<b>Share of income/(losses) from equity investments accounted for using the equity method</b>	4.e	<b>39</b>	<b>35</b>
<b>Income before taxes</b>		<b>1,900</b>	<b>1,853</b>
Income taxes	4.f	596	548
<b>Net income from continuing operations</b>		<b>1,304</b>	<b>1,305</b>
<b>Net income from discontinued operations</b>		<b>-</b>	<b>-</b>
<b>Net income for the period (shareholders of the Parent Company and non-controlling interests)</b>		<b>1,304</b>	<b>1,305</b>
Attributable to shareholders of the Parent Company		983	939
Attributable to non-controlling interests		321	366
<i>Basic earnings/(loss) per share attributable to shareholders of the Parent Company (euro)</i>		<i>0.10</i>	<i>0.09</i>
<i>Diluted earnings/(loss) per share attributable to shareholders of the Parent Company (euro)</i>		<i>0.10</i>	<i>0.09</i>
<i>Basic earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)</i>		<i>0.10</i>	<i>0.09</i>
<i>Diluted earnings/(loss) per share from continuing operations attributable to shareholders of the Parent Company (euro)</i>		<i>0.10</i>	<i>0.09</i>

## Statement of Consolidated Comprehensive Income

Millions of euro	1st Quarter	
	2017	2016
<b>Net income for the period</b>	<b>1,304</b>	<b>1,305</b>
<b>Other comprehensive income recyclable to profit or loss (net of taxes)</b>		
Effective portion of change in the fair value of cash flow hedges	159	(649)
Share of the other comprehensive income of equity investments accounted for using the equity method	(2)	(26)
Change in the fair value of financial assets available for sale	22	3
Change in translation reserve	50	83
<b>Other comprehensive income/(loss) for the period</b>	<b>229</b>	<b>(589)</b>
<b>Comprehensive income/(loss) for the period</b>	<b>1,533</b>	<b>716</b>
<b>Attributable to:</b>		
- shareholders of the Parent Company	1,128	309
- non-controlling interests	405	407

# Condensed Consolidated Balance Sheet

Millions of euro

	Notes	at Mar. 31, 2017	at Dec. 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment and intangible assets		93,308	92,318
Goodwill		14,467	13,556
Equity investments accounted for using the equity method		1,612	1,558
Other non-current assets <sup>(1)</sup>		13,311	12,872
<b>Total non-current assets</b>	5.a	<b>122,698</b>	<b>120,304</b>
<b>Current assets</b>			
Inventories		2,642	2,564
Trade receivables		13,427	13,506
Cash and cash equivalents		5,602	8,290
Other current assets <sup>(2)</sup>		9,840	10,921
<b>Total current assets</b>	5.b	<b>31,511</b>	<b>35,281</b>
<b>Assets held for sale</b>	5.c	<b>6</b>	<b>11</b>
<b>TOTAL ASSETS</b>		<b>154,215</b>	<b>155,596</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Equity attributable to the shareholders of the Parent Company	5.d	35,931	34,803
Non-controlling interests		17,969	17,772
<b>Total shareholders' equity</b>		<b>53,900</b>	<b>52,575</b>
<b>Non-current liabilities</b>			
Long-term borrowings		40,315	41,336
Provisions and deferred tax liabilities		16,424	16,334
Other non-current liabilities		4,332	4,388
<b>Total non-current liabilities</b>	5.e	<b>61,071</b>	<b>62,058</b>
<b>Current liabilities</b>			
Short-term borrowings and current portion of long-term borrowings		10,004	9,756
Trade payables		12,017	12,688
Other current liabilities <sup>(3)</sup>		17,223	18,519
<b>Total current liabilities</b>	5.f	<b>39,244</b>	<b>40,963</b>
<b>Liabilities held for sale</b>	5.g	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>100,315</b>	<b>103,021</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>154,215</b>	<b>155,596</b>

- (1) Of which long-term financial receivables and other securities at March 31, 2017 equal to €2,282 million (€2,181 million at December 31, 2016) and €427 million (€441 million at December 31, 2016), respectively.
- (2) Of which short-term portion of long-term financial receivables, short-term financial receivables and other securities at March 31, 2017 equal to €828 million (€767 million at December 31, 2016), €1,992 million (€2,121 million at December 31, 2016) and €45 million (€36 million at December 31, 2016), respectively.
- (3) Of which short-term financial debt at March 31, 2017 equal to €139 million (€296 million at December 31, 2016).



# Statement of Changes in Consolidated Shareholders' Equity

Share capital and reserves attributable to the shareholders of the Parent Company																
	Share capital	Share premium reserve	Legal reserve	Other reserves	Reserve from translation of financial statements in currencies other than euro	Reserve from measurement of cash flow hedge financial instruments	Reserve from measurement of financial instruments AFS	Reserve from equity investments accounted for using the equity method	Reserve from remeasurement of net defined benefit plan liabilities/(assets)	Reserve from disposal of equity interests without loss of control	Reserve from transactions in non-controlling interests	Retained earnings and loss carried forward	Equity attributable to the shareholders of the Parent Company	Non-controlling interests	Total shareholders' equity	
Millions of euro																
At January 1, 2016	9,403	5,292	1,881	2,262	(1,956)	(1,341)	130	(54)	(551)	(2,115)	(196)	19,621	32,376	19,375	51,751	
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	(234)	(234)	
Capital increase for non-proportional demerger of Enel Green Power	764	2,198	-	-	119	(31)	-	-	1	-	(974)	(12)	2,065	(2,106)	(41)	
Comprehensive income for the period	-	-	-	-	35	(655)	3	(13)	-	-	-	939	309	407	716	
of which:																
- other comprehensive income/(loss) for the period	-	-	-	-	35	(655)	3	(13)	-	-	-	-	(630)	41	(589)	
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	939	939	366	1,305	
At March 31, 2016	10,167	7,490	1,881	2,262	(1,802)	(2,027)	133	(67)	(550)	(2,115)	(1,170)	20,548	34,750	17,442	52,192	
At January 1, 2017	10,167	7,489	2,034	2,262	(1,005)	(1,448)	106	(12)	(706)	(2,398)	(1,170)	19,484	34,803	17,772	52,575	
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	(195)	(195)	
Change in scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-	-	(13)	(13)	
Comprehensive income for the period	-	-	-	-	(37)	163	22	(3)	-	-	-	983	1,128	405	1,533	
of which:																
- other comprehensive income/(loss) for the period	-	-	-	-	(37)	163	22	(3)	-	-	-	-	145	84	229	
- net income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	983	983	321	1,304	
At March 31, 2017	10,167	7,489	2,034	2,262	(1,042)	(1,285)	128	(15)	(706)	(2,398)	(1,170)	20,467	35,931	17,969	53,900	

# Condensed Consolidated Statement of Cash Flows

Millions of euro

1st Quarter

	2017	2016
<b>Income before taxes</b>	<b>1,900</b>	<b>1,853</b>
Adjustments for:		
Depreciation, amortization and impairment losses	1,389	1,347
Financial (income)/expense	664	852
Net income from equity investments accounted for using equity method	(39)	(35)
Changes in net current assets:		
- inventories	(54)	183
- trade receivables	286	(1,307)
- trade payables	(1,099)	163
- other assets and liabilities	(313)	(231)
Interest and other financial expense and income paid and received	(649)	(768)
Other changes	(345)	(490)
<b>Cash flows from operating activities (A)</b>	<b>1,740</b>	<b>1,567</b>
Investments in property, plant and equipment and intangible assets	(1,453)	(1,650)
Investments in entities (or business units) less cash and cash equivalents acquired	(679)	-
Disposals of entities (or business units) less cash and cash equivalents sold	-	326
(Increase)/Decrease in other investing activities	165	23
<b>Cash flows from (investing)/disinvesting activities (B)</b>	<b>(1,967)</b>	<b>(1,301)</b>
New issues of long-term financial debt	2,075	827
Repayments and other changes in net financial debt	(3,233)	(5,163)
Receipts/(Outlays) for transactions in non-controlling interests	(2)	(196)
Dividends and interim dividends paid	(1,289)	(236)
<b>Cash flows from financing activities (C)</b>	<b>(2,449)</b>	<b>(4,768)</b>
<b>Impact of exchange rate fluctuations on cash and cash equivalents (D)</b>	<b>(3)</b>	<b>36</b>
<b>Increase/(Decrease) in cash and cash equivalents (A+B+C+D)</b>	<b>(2,679)</b>	<b>(4,466)</b>
Cash and cash equivalents and short-term securities at the beginning of the period <sup>(1)</sup>	8,326	10,790
Cash and cash equivalents and short-term securities at the end of the period <sup>(2)</sup>	5,647	6,324

(1) Of which cash and cash equivalents equal to €8.290 million at January 1, 2017 (€10,639 million at January 1, 2016), short-term securities equal to €36 million at January 1, 2017 (€1 million at January 1, 2016) and cash and cash equivalents pertaining to "Assets held for sale" equal to €150 million at January 1, 2016.

(2) Of which cash and cash equivalents equal to €5,602 million at March 31, 2017 (€6,279 million at March 31, 2016), short-term securities equal to €45 million at March 31, 2017 (€29 million at March 31, 2016) and cash and cash equivalents pertaining to "Assets held for sale" equal to €16 million at March 31, 2016.



# Notes to the condensed consolidated quarterly financial statements at March 31, 2017

## 1. Accounting policies and measurement criteria

The condensed consolidated quarterly financial statements at March 31, 2017, included in the Interim Financial Report, have been prepared in compliance with “IAS 34 - Interim Financial Reporting” and consist of the consolidated income statement, the statement of consolidated comprehensive income, the consolidated balance sheet, the statement of changes in consolidated shareholders’ equity, the consolidated statement of cash flows, and the related explanatory notes. These condensed consolidated financial statements at March 31, 2017 do not include all the information required to be reported in the annual financial statements and must be read together with the financial statements for the period ended December 31, 2016.

Although the Group has adopted the half-year as the reference interim period for the purposes of applying IAS 34 and the definition of interim financial report specified therein, this Interim Financial Report at March 31, 2017 has been prepared in compliance with that standard in view of the possible inclusion of the information in the documentation to be prepared for extraordinary corporate transactions.

The accounting standards adopted, the recognition and measurement criteria and the consolidation criteria and methods used for the condensed consolidated financial statements at March 31, 2017 are the same as those adopted for the consolidated financial statements at December 31, 2016. Please see those financial statements for more information.

### Use of estimates

Preparing the condensed consolidated quarterly financial statements requires management to make estimates and assumptions that impact the value of revenue, costs, assets and liabilities and the disclosures concerning contingent assets and liabilities at the balance sheet date. Changes in the conditions underlying the assumptions and judgments could have a substantial impact on future results. For the purposes of the preparation of the condensed consolidated quarterly financial statements, the use of estimates involved the same situations in which estimates were employed during the preparation of the annual financial statements. For a more extensive discussion of the most significant assessment processes of the Group, please see the section “Use of estimates” in note 2 of the consolidated financial statements at December 31, 2016.

During the Quarter, the Group, with the assistance of technical advisors, completed a study to assess the operating performance of its solar and wind plants and to analyze past data on the duration and frequency of maintenance work made necessary by technical problems and to examine the environmental and weather conditions to which the Group’s plants are exposed. The findings of the analysis provided sufficient information to enable us to reasonably provide for a probable lengthening of the economic and technical life of a number of components of solar and wind generation facilities compared with that forecast in previous years.

Accordingly, as from January 1, 2017 the Group extended the useful life of those components on the basis of the findings of the study, taking due consideration of any legal constraints in some of the jurisdictions in which the Group operates and which can effectively impact the right to exploit those assets to the full extent of their useful lives.

More specifically, those changes involved the extension to 30 years of the useful life of turbines, generators and other mechanical and electric machinery of wind plans and the extension of the useful life

of the mechanical and electrical machinery of solar plants, even while remaining within the interval of useful lives already used by the Group.

The effects of those changes in depreciation rates on these consolidated interim financial statements have been estimated as a reduction of €13 million in depreciation charges.

In addition, on the basis of a number of specific technical studies conducted internally on hydroelectric plants in Spain and in Chile, the Group also found that the conditions existed to extend the economic/technical lives of certain components of schedulable hydroelectric plants. Here too, while still lying within the interval of useful lives already used by the Group, the average increase in those lives in each category reduced depreciation charges for the Quarter by €20 million.

### **Seasonality**

The turnover and performance of the Group could be impacted, albeit slightly, by developments in weather conditions. More specifically, in warmer periods of the year, gas sales decline, while during periods in which factories are closed for holidays, electricity sales decline. In view of the impact these variations have on performance, which are generally negligible, and the fact that the Group operates in both the globe's northern and southern hemispheres, no additional disclosure (as required under IAS 34.21) for developments in the twelve months ended March 31, 2017 is provided.

## 2. Main changes in the scope of consolidation

### 2016

- > Disposal, completed in early March 2016, of **Compostilla Re**, which at December 31, 2015 had been classified as “held for sale”. The sale price was €101 million (the company also held liquid assets of about €111 million) and generated a gain of about €19 million;
- > disposal, on May 1, 2016, of 65% of **Drift Sand Wind Project**, a company operating in the wind generation sector in the United States;
- > disposal, completed on July 13, 2016, of **Enel Longanesi**, which held the Italian assets (composed of 21 applications for on-shore and off-shore exploration permits and exploration permits) in the upstream gas sector;
- > disposal, on July 28, 2016, of 50% of **Slovak Power Holding (“SPH”)**, which in turn holds 66% of **Slovenské elektrárne (“SE”)**;
- > acquisition of control, on October 1, 2016, of **Distribuidora Eléctrica de Cundinamarca (“DEC”)**, previously accounted for using the equity method, through the merger of DEC into Codensa (which had already held 49%);
- > loss of control, on November 21, 2016, following changes in governance arrangements and the disposal of an interest of 1%, for €12 million, of **EGPNA Renewable Energy Partners (“EGPNA REP”)**, a developer of renewables generation projects in the United States. As from that it has been accounted for using the equity method;
- > disposal, on November 30, 2016, of 100% of **Enel France**, a thermal generation company in France;
- > loss of control, on December 20, 2016, of **Enel OpEn Fiber** (now OpEn Fiber - OF) following a capital increase by Enel and CDP Equity (“CDPE”), after which Enel and CDPE hold an equal stake in OF, which has therefore been accounted for using the equity method as from that date;
- > disposal, on December 28, 2016, of the **Cimarron and Lindahl** wind farms to the EGPNA REP joint venture, the starting point of a new industrial growth strategy founded on a less capital-intensive “Build, Sell and Operate” approach intended to accelerate the development of project pipelines at the global level;
- > disposal, on December 30, 2016, of 100% of **Marcinelle Energie**, a thermal generation company in Belgium. The sales price is subject to customer price adjustments that include an earn-out clause.

### 2017

- > Acquisition, on January 10, 2017, of 100% of **Demand Energy Networks**, a company headquartered in the United States specializing in software solutions and smart electricity storage systems;
- > acquisition, on February 14, 2017, of 94.8% of **Celg Distribuição (CELG-D)**, an electricity distribution company operating in the Brazilian state of Goiás.

### Other changes

In addition to the above changes in the scope of consolidation, the following transactions, which although they do not represent transactions involving the acquisition or loss of control, gave rise to a change in the interest held by the Group in the investees:

- > disposal, on February 29, 2016, of the remaining interest in **Hydro Dolomiti Enel**, a company operating in the hydroelectric generation sector in Italy;
- > on March 31, 2016, the non-proportional demerger of **Enel Green Power** took effect, following which – with a capital increase by Enel SpA as part of the demerger – the Group increased its stake in the company from 68.29% to 100%, with the consequent reduction of non-controlling interests;

- > acquisition, on May 3, 2016, of the remaining 40% of **Maicor Wind**, a company operating in the wind generation sector in Italy, becoming the sole shareholder.
- > on July 27, 2016, Enel Green Power International, a wholly-owned subsidiary of Enel, sold 60% of **Enel Green Power España ("EGPE")** to Endesa Generación, a wholly-owned subsidiary of Endesa, which as it already held the other 40% of EGPE became its sole shareholder. In the consolidated financial statements, the transaction produced a decrease in the interest pertaining to the Group (from 88.04% to 70.10%) in the results of EGPE as from the time the operation took effect;
- > merger, on December 1, 2016, into **Enel Américas** of Endesa Américas and Chilectra Américas, companies created with the demerger of Enersis, Endesa Chile and Chilectra. As the combined effect of exchange ratios between shares and the exercise of the right of withdrawal by some shareholders of the companies involved in the transaction, the percentage interest in the companies held directly or indirectly by Enel Américas changed.

### Acquisition of Demand Energy

On January 10, 2017, Enel Green Power North America acquired 100% of Demand Energy Networks, a company headquartered in the United States specializing in software solutions and smart electricity storage systems.

#### Determination of goodwill

Millions of euro	
Cash and cash equivalents	15
Trade payables	(2)
Other current liabilities	(14)
<b>Net assets acquired</b>	<b>(1)</b>
<b>Cost of the acquisition</b>	<b>38</b>
Goodwill	<b>39</b>

The Group will identify the fair value of the assets acquired and the liabilities assumed within 12 months of the acquisition date. That process was begun immediately after the acquisition.

## Acquisition of CELG-D

On February 14, 2017, Enel Brasil finalized the acquisition of 94.84% of Celg Distribuição ("CELG-D"), an electricity distribution company operating in the Brazilian state of Goiás under a concession valid until 2045. In view of the service concession arrangement under which it operates, the electricity distribution activities performed by the company fall within the scope of IFRIC 12. The remaining interest in CELG-D was offered to current and retired employees using a procedure under which Enel Brasil guaranteed the acquisition of any shares not purchased by those employees and retirees. The procedure closed in early May 2017 and enabled the Group to acquire an additional 5.04% of CELG-D, giving it a total holding of 99.88%.

### Determination of goodwill

Millions of euro	
Property, plant and equipment	13
Intangible assets	572
Non-current financial assets	17
Other non-current assets	301
Trade receivables	238
Inventories	7
Current financial assets	63
Other current assets	64
Cash and cash equivalents	9
Borrowings	(320)
Employee benefits	(43)
Other non-current liabilities	(162)
Provisions for risks and charges	(216)
Trade payables	(446)
Other current liabilities	(375)
Non-controlling interests	14
<b>Net assets acquired</b>	<b>(264)</b>
<b>Cost of the acquisition</b>	<b>665</b>
<b>Goodwill</b>	<b>929</b>

The Group will identify the fair value of the assets acquired and the liabilities assumed within 12 months of the acquisition date. That process was begun immediately after the acquisition.

### 3. Segment information

The representation of the financial position by business area presented here is based on the approach used by management in monitoring Group performance for the two periods under review.

This representation underwent a number of changes following the entry into force, as from the closing date of September 30, 2016, of the new organizational model, which involved the integration of the various companies belonging to the Enel Green Power Group into the various divisions by geographical area, also functionally including hydroelectric operations (so-called "Large Hydro"), and a new definition of the geographical areas (Italy, Iberia, Europe and North Africa, Latin America, North and Central America, Sub-Saharan Africa and Asia, Central/Holding).

Accordingly, with no change in total balances, the disclosures concerning performance by segment for the comparable period (1st Quarter of 2016) have been restated appropriately to ensure full comparability with the 1st Quarter of 2017.

For more information on developments in performance and financial position during the period, please see the appropriate section of this Interim Financial Report.

#### Performance by segment

##### 1st Quarter of 2017 <sup>(1)</sup>

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	10,107	5,197	3,231	631	176	21	3	19,366
Revenue from transactions with other segments	186	13	16	11	1	-	(227)	-
<b>Total revenue</b>	<b>10,293</b>	<b>5,210</b>	<b>3,247</b>	<b>642</b>	<b>177</b>	<b>21</b>	<b>(224)</b>	<b>19,366</b>
Total costs	8,635	4,484	2,167	498	64	9	(155)	15,702
Net income/(expense) from commodity contracts measured at fair value	301	(32)	7	-	-	-	(26)	250
Depreciation and amortization	432	393	281	49	52	9	4	1,220
Impairment losses	112	101	31	11	-	-	(1)	254
Reversals of impairment losses	(1)	(78)	-	(7)	(1)	1	1	(85)
<b>Operating income</b>	<b>1,416</b>	<b>278</b>	<b>775</b>	<b>91</b>	<b>62</b>	<b>2</b>	<b>(99)</b>	<b>2,525</b>
<b>Capital expenditure</b>	<b>314</b>	<b>144</b>	<b>566</b>	<b>41</b>	<b>380</b>	<b>8</b>	<b>-</b>	<b>1,453</b>

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

1st Quarter of 2016 restated <sup>(1)</sup>

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Revenue from third parties	9,209	4,765	2,487	1,153	243	3	12	17,872
Revenue from transactions with other segments	173	3	26	60	1	-	(263)	-
<b>Total revenue</b>	<b>9,382</b>	<b>4,768</b>	<b>2,513</b>	<b>1,213</b>	<b>244</b>	<b>3</b>	<b>(251)</b>	<b>17,872</b>
Total costs	7,401	3,883	1,666	976	64	5	(220)	13,775
Net income/(expense) from commodity contracts measured at fair value	(34)	(42)	2	1	-	-	(7)	(80)
Depreciation and amortization	424	417	215	71	61	1	13	1,202
Impairment losses	113	88	17	5	-	-	-	223
Reversals of impairment losses	-	(71)	-	(7)	-	-	-	(78)
<b>Operating income</b>	<b>1,410</b>	<b>409</b>	<b>617</b>	<b>169</b>	<b>119</b>	<b>(3)</b>	<b>(51)</b>	<b>2,670</b>
<b>Capital expenditure</b>	<b>346</b>	<b>177</b>	<b>603</b>	<b>50</b> <sup>(2)</sup>	<b>277</b>	<b>89</b>	<b>5</b>	<b>1,547</b>

(1) Segment revenue includes both revenue from third parties and revenue flows between the segments. An analogous approach was taken for other income and costs for the period.

(2) Does not include €103 million regarding units classified as "held for sale".

## Financial position by segment

At March 31, 2017

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Property, plant and equipment	25,909	23,997	17,884	3,093	5,075	793	(5)	76,746
Intangible assets	1,279	15,644	12,497	749	676	114	(48)	30,911
Trade receivables	9,027	2,382	2,042	325	168	17	(534)	13,427
Other	3,875	1,516	848	206	54	4	(106)	6,397
<b>Operating assets</b>	<b>40,090</b> <sup>(1)</sup>	<b>43,539</b>	<b>33,271</b>	<b>4,373</b>	<b>5,973</b> <sup>(2)</sup>	<b>928</b>	<b>(693)</b>	<b>127,481</b>
Trade payables	7,021	2,142	2,408	318	583	20	(475)	12,017
Sundry provisions	3,111	3,952	1,366	129	24	19	565	9,166
Other	7,009	2,287	2,491	295	199	55	204	12,540
<b>Operating liabilities</b>	<b>17,141</b>	<b>8,381</b>	<b>6,265</b>	<b>742</b>	<b>806</b>	<b>94</b>	<b>294</b>	<b>33,723</b>

(1) Of which €4 million regarding units classified as "held for sale".

(2) Of which €2 million regarding units classified as "held for sale".

At December 31, 2016

Millions of euro	Italy	Iberia	Latin America	Europe and North Africa	North and Central America	Sub-Saharan Africa and Asia	Other, eliminations and adjustments	Total
Property, plant and equipment	25,981	24,174	17,411	3,048	4,831	780	46	76,271
Intangible assets	1,314	15,671	11,045	743	633	113	(34)	29,485
Trade receivables	9,429	2,243	1,835	317	111	18	(447)	13,506
Other	3,409	1,461	515	179	41	2	(134)	5,473
<b>Operating assets</b>	<b>40,133</b> <sup>(1)</sup>	<b>43,549</b>	<b>30,806</b>	<b>4,287</b>	<b>5,616</b> <sup>(2)</sup>	<b>913</b>	<b>(569)</b>	<b>124,735</b>
Trade payables	7,606	2,155	2,433	374	493	23	(396)	12,688
Sundry provisions	3,077	4,096	1,039	127	25	18	617	8,999
Other	7,125	3,042	1,850	305	210	54	340	12,926
<b>Operating liabilities</b>	<b>17,808</b>	<b>9,293</b>	<b>5,322</b>	<b>806</b>	<b>728</b>	<b>95</b>	<b>561</b>	<b>34,613</b>

(1) Of which €4 million regarding units classified as "held for sale".

(2) Of which €2 million regarding units classified as "held for sale".



The following table reconciles segment assets and liabilities and the consolidated figures.

Millions of euro		
	at Mar. 31, 2017	at Dec. 31, 2016
<b>Total assets</b>	<b>154,215</b>	<b>155,596</b>
Equity investments accounted for using the equity method	1,612	1,558
Other non-current financial assets	5,682	5,502
Long-term tax receivables included in "Other non-current assets"	334	301
Current financial assets	5,497	6,998
Cash and cash equivalents	5,602	8,290
Deferred tax assets	6,623	6,665
Income tax receivables	1,384	1,543
Financial and tax assets of "Assets held for sale"	-	4
<b>Segment assets</b>	<b>127,481</b>	<b>124,735</b>
<b>Total liabilities</b>	<b>100,315</b>	<b>103,021</b>
Long-term borrowings	40,315	41,336
Non-current financial liabilities	2,166	2,532
Short-term borrowings	2,680	5,372
Current portion of long-term borrowings	7,324	4,384
Current financial liabilities	3,118	4,586
Deferred tax liabilities	8,698	8,768
Income tax payable	798	359
Other tax payables	1,493	1,071
Financial and tax liabilities of "Liabilities held for sale"	-	-
<b>Segment liabilities</b>	<b>33,723</b>	<b>34,613</b>

## Revenue

### 4.a Revenue- €19,366 million

Millions of euro	1st Quarter			
	2017	2016	Change	
Revenue from the sale of electricity	11,161	10,478	683	6.5%
Revenue from the transport of electricity	2,606	2,308	298	12.9%
Fees from network operators	145	120	25	20.8%
Transfers from institutional market operators	443	259	184	71.0%
Revenue from the sale of gas	1,555	1,508	47	3.1%
Revenue from the transport of gas	239	235	4	1.7%
Remeasurement at fair value after changes in control	-	-	-	-
Gains on the disposal of assets	151	166	(15)	-9.0%
Other services, sales and revenue	3,066	2,798	268	9.6%
<b>Total</b>	<b>19,366</b>	<b>17,872</b>	<b>1,494</b>	<b>8.4%</b>

In the 1st Quarter of 2017 **revenue from the sale of electricity** amounted to €11,161 million, an increase of €683 million compared with the same period of the previous year. The change reflected the following factors:

- > an increase of €701 million in revenue from electricity sales to end users, mainly attributable to higher revenue from regulated markets (€537 million), and an increase of €164 million in revenue from free markets. In both markets, the increase reflected the rise in quantities sold, higher average prices and developments in exchange rates. These factors were only partly offset by the deconsolidation of Slovenské elektrárne;
- > a decrease of €461 million in revenue from sales of electricity on the wholesale market, essentially due to the deconsolidation of Slovenské elektrárne;
- > an increase of €443 million in revenue from electricity trading, essentially reflecting an increase in volumes handles and the broad rise in prices on international markets.

**Revenue from the transport of electricity** in the 1st Quarter of 2017 amounted to €2,606 million, an increase of €298 million mainly attributable to an increase in quantities distributed, largely in Brazil, thanks in part to the acquisition of control of CELG-D with effect from February 14, 2017.

In the 1st Quarter of 2017, **transfers from institutional market operators** totaled €443 million, up €184 million compared with the same period of 2016. The increase essentially reflects the increase in generation costs recovered with the transfers and was mainly due to the rise in the price of fuels in the extra-peninsular area of Spain.

**Revenue from the sale of gas** in the 1st Quarter of 2017 amounted to €1,555 million, an increase of €47 million mainly ascribable to an increase in quantities sold to end users.

**Revenue from the transport of gas** in the 1st Quarter of 2017 amounted to €239 million, an increase of €4 million compared with the same period of the previous year, reflecting the increase in volumes sold.

**Gains on the disposal of assets** in the 1st Quarter of 2017 amounted to €151 million, down €15 million compared with the same period of 2016. The change reflects the fact that the capital gain on the sale of the Chilean company Electrogas was more than offset by the gain recognized in the 1st Quarter of 2016, essentially from the disposal of Hydro Dolomiti Enel.

Revenue from **other services, sales and revenue** in the 1st Quarter of 2017 amounted to €3,066 million (€2,798 million in the 1st Quarter of 2016), an increase of €268 million (9.6%). The increase essentially reflects the following factors:

- > an increase of €301 million in revenue from the sale of fuels, especially natural gas (€293 million);
- > a decrease of €27 million in revenue from tax partnerships as a result of the deconsolidation of part of the renewable energy plants in the United States following changes in the governance arrangement of Enel Green Power North America Renewable Energy Partners in December 2016.

## Costs

### 4.b Costs - €17,091 million

Millions of euro	1st Quarter			
	2017	2016	Change	
Electricity purchases	5,350	4,559	791	17.4%
Consumption of fuel for electricity generation	1,363	1,070	293	27.4%
Fuel for trading and gas for sale to end users	3,145	2,712	433	16.0%
Materials	239	245	(6)	-2.4%
Personnel	1,173	1,078	95	8.8%
Services, leases and rentals	3,958	3,770	188	5.0%
Depreciation, amortization and impairment losses	1,389	1,347	42	3.1%
Costs of environmental certificates	287	196	91	46.4%
Other operating expenses	494	443	51	11.5%
Capitalized costs	(307)	(298)	(9)	-3.0%
<b>Total</b>	<b>17,091</b>	<b>15,122</b>	<b>1,969</b>	<b>13.0%</b>

Costs for **electricity purchases** in the 1st Quarter of 2017 totaled €5,350 million, an increase of €791 million (17.4%). These costs included purchases through national and foreign bilateral contracts totaling €2,522 million (€2,594 million in the 1st Quarter of 2016), electricity purchases on electricity exchanges in the amount of €1,681 million (€1,049 million in the 1st Quarter of 2016) and electricity purchases for dispatching and imbalancing services totaling €78 million (€48 million in the 1st Quarter of 2016). The rise essentially regarded an increase in purchases on electricity exchanges (€632 million), especially the Italian exchange, partly offset by a decline in costs for purchases through bilateral contracts (€72 million).

Costs for the **consumption of fuel for electricity generation** in the 1st Quarter of 2017 totaled €1,363 million, an increase of €293 million (27.4%) on the same period of the previous year. The increase mainly reflected the rise in thermal generation and higher unit prices, especially in Spain. These factors more than offset the impact of the deconsolidation of Slovenské elektrárne.

Costs for the purchase of **fuel for trading and gas for sale to end users** in the 1st Quarter of 2017 amounted to €3,145 million, an increase of €433 million (16.0%) on the 1st Quarter of 2016. The change mainly reflects trading in those commodities and the need to meet the increased requirements of sales to end users, attributable to larger purchases of gas from third parties, only partly offset by a reduction in purchases of other fuels from third parties.

Costs for **materials** amounted to €239 million in the 1st Quarter of 2017, down €6 million (-2.4%) compared with the same period of the previous year.

**Personnel** costs in the 1st Quarter of 2017 amounted to €1,173 million, an increase of €95 million (8.8%) compared with the same period of the previous year. The change reflects the increase in termination incentives, which were essentially accounted for by the provision recognized by the newly acquired CELG-D in the amount of €59 million, and the effect of exchange rate developments (€20 million) and the increase in average unit costs.

These effects were only partly offset by the decline in the average workforce compared with the same period of the previous year (-4,440). The Enel Group workforce at March 31, 2017 numbered 63,518, of whom 31,514 employed in Group companies headquartered abroad. The workforce increased in the 1st Quarter of 2017 despite the negative balance between new hires and terminations (a decrease of 499) thanks to the change in the scope of consolidation (an increase of 1,937) following the acquisitions of Demand Energy in North America and, above all, CELG-D in Brazil.

The overall change compared with December 31, 2016, breaks down as follows:

<b>Balance at December 31, 2016</b>	<b>62,080</b>
Hirings	560
Terminations	(1,059)
Change in scope of consolidation	1,937
<b>Balance at March 31, 2017</b>	<b>63,518</b>

Costs for **services, leases and rentals** in the 1st Quarter of 2017 amounted to €3,958 million, an increase of €188 million (5.0%) compared with the same period of the previous year. The increase is attributable to:

- > an increase of €59 million in wheeling costs (including network access charges), especially in Latin America as a result of an increase in electricity purchases;
- > an increase of €39 million in costs incurred in respect of service concession arrangements accounted for in accordance with IFRIC 12 in Brazil;
- > an increase of €34 million in costs for IT services, which regarded system assistance and maintenance of hardware and software;
- > an increase of €16 million in charges for fees due to operators for the operations of the electrical system and electricity and gas exchanges.

**Depreciation, amortization and impairment losses** in the 1st Quarter of 2017 totaled €1,389 million, an increase of €42 million (3.1%) on the €1,347 million posted in the 1st Quarter of 2016. The increase was mainly attributable to:

- > an increase of €20 million in depreciation, amortization and impairment. The rise was associated with greater amortization of intangible assets, essentially connected with assets accounted for in accordance with IFRIC 12 in Brazil, and with exchange rate developments. These factors were partly offset by the decrease in depreciation of property, plant and equipment as a result of the

deconsolidation of Slovenské elektrárne and the change in the useful lives of certain categories of renewable energy plants, as discussed earlier;

- > an increase of €22 million in impairment losses on trade receivables and other assets, largely in Latin America.

**Costs of environmental certificates** in the 1st Quarter of 2017 amounted to €287 million, up €91 million compared with the same period of 2016. The increase is essentially attributable to the rise in costs for the purchase of white certificates (€99 million), partly offset by the decline in charges for emissions allowances (€16 million).

**Other operating expenses** in the 1st Quarter of 2017 amounted to €494 million, an increase of €51 million (11.5%) compared with the same period of 2016. More specifically, the increase was mainly the result of greater charges in respect of fines recognized in Argentina (€47 million) for failure to meet quality standards in electricity supplies.

In the 1st Quarter of 2017, **capitalized costs** amounted to €307 million, a decrease of €9 million (-3.0%), in line with developments in investments.

#### **4.c Net income/(expense) from commodity contracts measured at fair value - €250 million**

**Net income from commodity contracts measured at fair value** amounted to €250 million in the 1st Quarter of 2017, compared with net expense of €80 million in the first three months of 2016. More specifically, the result for the first three months of 2017 was largely attributable to net unrealized income from the fair value measurement of derivatives positions open at the end of the period in the amount of €171 million (net income of €18 million in the 1st Quarter of 2016), and net realized income of €79 million (net expense of €98 million in the 1st Quarter of 2016).

#### **4.d Net financial income/(expense) - €(664) million**

**Net financial expense** in the 1st Quarter of 2017 amounted to €664 million, compared with €852 million in the same period of the previous year, a decrease of €188 million.

More specifically, financial income in the 1st Quarter of 2017 amounted to €569 million, a decrease of €1,023 million on the year-earlier period (€1,592 million). The change essentially reflected:

- > a reduction of €715 million in income from derivatives, largely in respect of derivatives used to hedge exchange rate risk on borrowings denominated in foreign currencies;
- > a decrease of €285 million in exchange rate gains, essentially reflecting exchange rate developments associated with borrowings in foreign currencies.

Financial expense in the 1st Quarter of 2017 totaled €1,233 million, a decrease of €1,211 million on the year-earlier period (€2,444 million). The decline is mainly attributable to:

- > a reduction of €622 million in exchange rate losses (primarily in respect of EFI in the amount of €435 million);
- > a decline of €462 million in charges on derivatives, essentially in respect of derivatives used to hedge exchange rate risk on borrowings denominated in foreign currencies;
- > a decrease of €85 million in interest expense on bonds, largely attributable to Enel SpA (€77 million);

- > a decrease of €69 million in charges for the unwinding of the discount on provisions for risks and charges, essentially comprising: a reduction of €29 million in charges in respect of the provision for early retirement incentives, mainly regarding the Endesa Group (€25 million), a reduction of €21 million in charges in respect of the provision for decommissioning following the deconsolidation of Slovenské elektrárne and a reduction of €20 million in other provisions, essentially attributable to the decrease in the financial expense from the application of *Resolución* ENRE no. 1/2016, which had required the discounting of a number of prior-year fines in Argentina.

These developments were partly offset by a reduction of €20 million in capitalized interest.

#### 4.e Share of income/(losses) from equity investments accounted for using the equity method - €39 million

The **share of income/(losses) from equity investments accounted for using the equity method** in the 1st Quarter of 2017 amounted to €39 million, an increase of €4 million on the €35 million recognized in the first three months of 2016.

#### 4.f Income taxes - €596 million

**Income taxes** in the 1st Quarter of 2017 amounted to €596 million (€548 million in the 1st Quarter of 2016), equal to 31.4% of taxable income and a slight increase on the 1st Quarter of 2016 (29.6%). Income taxes were therefore virtually unchanged on the year-earlier period, even taking account of the increase in income before taxes. One factor worth noting was the greater taxation (€42 million) applied in the 1st Quarter of 2017 to the gain of €151 million from the disposal of the Chilean company Electrogas compared with the virtual exemption from tax of the gain posted in Italy in the 1st Quarter of 2016 on the disposal of Hydro Dolomiti Enel.

## Assets

#### 5.a Non-current assets - €122,698 million

*Property, plant and equipment and intangible assets* (including investment property) amounted to €93,308 million at March 31, 2017, an increase of €990 million. The change essentially reflects investments for the period (€1,453 million), the change in the scope of consolidation following the acquisition of CELG-D in February (€585 million) and exchange rate gains (€332 million), only partly offset by depreciation and impairment of assets (€1,292 million).

In March 2017, central Peru was hit by a period of strong rains and flooding rivers. The large volume of debris in the rivers, damage to water channels and the difficulties personnel faced in getting access to plants due to landslides led to the disconnection of a number of generation plants in the area.

In some places, access is still limited, making it impossible to estimate, as of the date of these consolidated interim financial statements, the total losses incurred. However, the net impact on the Group's performance and financial position is not expected to be significant, partly in view of the insurance coverage in place for damage caused by such events.

As of the closing date of the 1st Quarter, the weather emergency reduced the generation capacity of Enel Generación Peru by less than 6%. Nevertheless, the company is still meeting all of its contractual

commitments. To conclude the local regulatory authority has exempted the company from any penalties for failure to achieve quality standards during the weather emergency, which is expected to come to an end in the 2nd Quarter of 2017.

*Goodwill* amounted to €14,467 million, an increase of €911 million compared with December 31, 2016. In addition to reflecting the adjustment of goodwill denominated in foreign currencies at current exchange rates, the change is attributable to acquisitions made in the 1st Quarter of 2017, for which total goodwill of €968 million was recognized on a provisional basis pending completion of the purchase price allocation process (of which €929 million in respect of CELG-D and €39 million in respect of Demand Energy). No evidence of impairment was found during the quarter that would call for the updating of the impairment tests conducted at the close of the previous year.

*Equity investments accounted for using the equity method* amounted to €1,612 million, an increase of €54 million on the end of the previous year. The change is essentially attributable to the portion of the net income reported by companies accounted for using the equity method attributable to the Group, which more than offset dividends distributed and the disposal of Electrogas.

*Other non-current assets* totaled €13,311 million and break down as follows:

Millions of euro

	at Mar. 31, 2017	at Dec. 31, 2016	Change	
Deferred tax assets	6,623	6,665	(42)	-0.6%
Receivables and securities included in net financial debt	2,709	2,622	87	3.3%
Other non-current financial assets	2,972	2,879	93	3.2%
Receivables due from institutional market operators	115	106	9	8.5%
Other long-term receivables	892	600	292	48.7%
<b>Total</b>	<b>13,311</b>	<b>12,872</b>	<b>439</b>	<b>3.4%</b>

The increase in the period amounted to €439 million and essentially reflected:

- > an increase of €292 million in other long-term receivables, mainly attributable to the change in the scope of consolidation associated with CELG-D (€279 million), which includes a number of judicial deposits and long-term receivables due from other sector operators;
- > an increase of €93 million in non-current financial assets, essentially attributable to the increase in assets in respect of service concession arrangements in Brazil, which reflects the change in the scope of consolidation associated with CELG-D and investments in the period;
- > an increase of €87 million in financial receivables included in net financial debt, mainly connected with loans granted to a number of associates operating in the renewable energy business.

## 5.b Current assets - €31,511 million

*Inventories* totaled €2,642 million, an increase of €78 million, essentially reflecting an increase in inventories of materials and equipment and fuel and lubricants used in electricity generation.

*Trade receivables* amounted to €13,427 million, down €79 million (-0.6%), essentially unchanged on the balance at the start of the year.

Other current assets amounted to €9,840 million and break down as follows:

Millions of euro

	at Mar. 31, 2017	at Dec. 31, 2016	Change	
Current financial assets included in debt	2,865	2,924	(59)	-2.0%
Other current financial assets	2,632	4,074	(1,442)	-35.4%
Tax receivables	1,384	1,543	(159)	-10.3%
Receivables due from institutional market operators	1,457	1,025	432	42.1%
Other short-term receivables	1,502	1,355	147	10.8%
<b>Total</b>	<b>9,840</b>	<b>10,921</b>	<b>(1,081)</b>	<b>-9.9%</b>

The decrease for the period amounted to €1,081 million and essentially reflected:

- > a decrease of €59 million in current financial assets included in debt, largely attributable to a reduction in receivables from assignments to factoring companies and a decline in short-term financial receivables, partly offset by an increase in the balance of cash collateral and the current portion of long-term financial receivables;
- > a reduction of €1,442 million in other current financial assets, entirely accounted for by the change in the fair value of derivatives contracts;
- > a reduction of €159 million in tax receivables, of which €119 million in respect of income taxes;
- > an increase of €432 million in receivables due from institutional market operators, mainly in respect of white certificates following recognition of the receivable for certificates purchased in the 1st Quarter of 2017, and in respect of extra-peninsular generation in Spain;
- > an increase of €147 million in other short-term receivables, essentially reflecting an increase in prepaid operating expense for fees in respect of water diversions for industrial use and for insurance premiums.

### 5.c Assets held for sale - €6 million

The item essentially includes minor assets, valued at their estimated realizable value, that, in view of the decisions taken by management, meet the requirements of IFRS 5 for classification as assets held for sale.

## Liabilities and shareholders' equity

### 5.d Equity attributable to the shareholders of the Parent Company - €35,931 million

The increase in the first three months of 2017 in equity attributable to the shareholders of the Parent Company essentially reflects the recognition of net income for the period (€983 million) and other comprehensive income in the first three months of 2017 (€145 million).

With regard to Enel SpA's shareholders, as from January 30, 2017, BlackRock held (indirectly through subsidiaries for asset management purposes) a total of 513,825,987 shares with voting rights, equal to 5.054% of share capital.



## 5.e Non-current liabilities - €61,071 million

*Long-term borrowings* amounted to €40,315 million (€41,336 million at December 31, 2016), consisting of bonds in the amount of €30,979 million (€32,401 million at December 31, 2016) and bank debt and other borrowings in the amount of €9,336 million (€8,935 million at December 31, 2016). The decrease in the period amounted to €1,021 million and is essentially attributable to the reduction of €1,422 million in bonds, primarily reflecting the decrease of €3,003 million in Enel SpA bonds, partly offset by the increase of €1,415 million in Enel Finance International bonds.

*Provisions and deferred tax liabilities* came to €16,424 million at March 31, 2017 (€16,334 million at December 31, 2016), an increase of €90 million and include:

- > post-employment and other employee benefits totaling €2,638 million (€2,585 million at December 31, 2016), an increase of €53 million;
- > provisions for risks and charges totaling €5,088 million (€4,981 million at December 31, 2016), an increase of €107 million. Among others, the item includes: the provision for litigation of €864 million (€698 million at December 31, 2016), the provision for nuclear decommissioning of €489 million (€567 million at December 31, 2016), the provision for site dismantling, removal and restoration of €809 million (€754 million at December 31, 2016), the provision for early retirement incentives of €1,837 million (€1,902 million at December 31, 2016) and the provision for taxes and duties of €285 million (€290 million at December 31, 2016);
- > deferred tax liabilities amounting to €8,698 million (€8,768 million at December 31, 2016), a decrease of €70 million.

*Other non-current liabilities* amounted to €4,332 million (€4,388 million at December 31, 2016), a decrease of €56 million on the end of 2016, essentially reflecting the decrease in the fair value of derivatives, offset by the increase in non-current liabilities due to the consolidation of CELG-D.

## 5.f Current liabilities - €39,244 million

*Short-term borrowings and current portion of long-term borrowings* increased by €248 million, rising from €9,756 million at the end of 2016 to €10,004 million at March 31, 2017, essentially reflecting the increase of €2,940 million in the current portion of loans, mainly including bonds in the amount of €2,753 million. This factor was partly offset by a decline of €2,692 million in short-term borrowings, including commercial paper in the amount of €1,858 million, bank loans of €690 million and liabilities for cash collateral amounting to €138 million.

*Trade payables* amounted to €12,017 million (€12,688 million at December 31, 2016), down €671 million.

*Other current liabilities*, which amounted to €17,223 million, break down as follows:

Millions of euro

	at Mar. 31, 2017	at Dec. 31, 2016	Change	
Payables due to customers	1,872	1,785	87	4.9%
Payables due to institutional market operators	4,716	4,617	99	2.1%
Current financial liabilities	3,118	4,586	(1,468)	-32.0%
Social security contributions payable and payables to employees	691	649	42	6.5%
Tax payables	2,291	1,430	861	60.2%
Other	4,535	5,452	(917)	-16.8%
<b>Total</b>	<b>17,223</b>	<b>18,519</b>	<b>(1,296)</b>	<b>-7.0%</b>

The decline of €1,296 million essentially reflects:

- > a decrease of €1,468 million in current financial liabilities, due essentially to the change in financial liabilities in respect of both trading and cash flow hedge derivatives;
- > an increase of €861 million in tax payables, attributable essentially to the estimate for income taxes for the period and the increase in other tax payables, mainly due to VAT and taxes and surcharges on electricity and gas consumption in Italy;
- > a decrease of €917 million in other payables, mainly regarding the decrease of €915 million in the liability for dividends to be paid (following payment of the interim dividend of €0.09 per share).

#### 5.g Liabilities held for sale - €- million

The item is equal to zero as at the date of these consolidated interim financial statements “Assets held for sale” had no liabilities associated with them.

## 6. Net financial position

Pursuant to the CONSOB instructions of July 28, 2006, the following table reports the net financial position at March 31, 2017, and December 31, 2016, reconciled with net financial debt as prepared in accordance with the presentation procedures of the Enel Group.

Millions of euro

	at Mar. 31, 2017	at Dec. 31, 2016	Change	
Cash and cash equivalents on hand	195	298	(103)	-34.6%
Bank and post office deposits	5,278	7,777	(2,499)	-32.1%
Other investments of liquidity	129	215	(86)	-40.0%
Securities	45	36	9	25.0%
<b>Liquidity</b>	<b>5,647</b>	<b>8,326</b>	<b>(2,679)</b>	<b>-32.2%</b>
Short-term financial receivables	1,908	1,993	(85)	-4.3%
Factoring receivables	83	128	(45)	-35.2%
Short-term portion of long-term financial receivables	827	767	60	7.8%
<b>Current financial receivables</b>	<b>2,818</b>	<b>2,888</b>	<b>(70)</b>	<b>-2.4%</b>
Bank debt	(285)	(909)	624	68.6%
Commercial paper	(1,200)	(3,059)	1,859	60.8%
Short-term portion of long-term bank borrowings	(866)	(749)	(117)	-15.6%
Bonds issued (short-term portion)	(6,199)	(3,446)	(2,753)	-79.9%
Other borrowings (short-term portion)	(259)	(189)	(70)	-37.0%
Other short-term financial payables <sup>(1)</sup>	(1,331)	(1,700)	369	21.7%
<b>Total short-term financial debt</b>	<b>(10,140)</b>	<b>(10,052)</b>	<b>(88)</b>	<b>-0.9%</b>
<b>Net short-term financial position</b>	<b>(1,675)</b>	<b>1,162</b>	<b>(2,837)</b>	<b>-</b>
Debt to banks and financing entities	(7,851)	(7,446)	(405)	-5.4%
Bonds	(30,979)	(32,401)	1,422	4.4%
Other borrowings	(1,485)	(1,489)	4	0.3%
<b>Long-term financial position</b>	<b>(40,315)</b>	<b>(41,336)</b>	<b>1,021</b>	<b>2.5%</b>
<b>NET FINANCIAL POSITION as per CONSOB instructions</b>	<b>(41,990)</b>	<b>(40,174)</b>	<b>(1,816)</b>	<b>-4.5%</b>
<b>Long-term financial receivables and securities</b>	<b>2,708</b>	<b>2,621</b>	<b>87</b>	<b>3.3%</b>
<b>NET FINANCIAL DEBT</b>	<b>(39,282)</b>	<b>(37,553)</b>	<b>(1,729)</b>	<b>-4.6%</b>

(1) Includes current financial payables included in other current financial liabilities.

## 7. Related parties

As an operator in the field of generation, distribution, transport and sale of electricity and the sale of natural gas, Enel carries out transactions with a number of companies directly or indirectly controlled by the Italian State, the Group's controlling shareholder.

The table below summarizes the main types of transactions carried out with such counterparties.

Related party	Relationship	Nature of main transactions
Single Buyer	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Purchase of electricity for the enhanced protection market
Cassa Depositi e Prestiti Group	Directly controlled by the Ministry for the Economy and Finance	Sale of electricity on the Ancillary Services Market (Terna) Sale of electricity transport services (Eni Group) Purchase of transport, dispatching and metering services (Terna) Purchase of postal services (Poste Italiane) Purchase of fuels for generation plants and natural gas storage and distribution services (Eni Group)
ESO - Energy Services Operator	Fully controlled (directly) by the Ministry for the Economy and Finance	Sale of subsidized electricity Payment of A3 component for renewable resource incentives
EMO - Energy Markets Operator	Fully controlled (indirectly) by the Ministry for the Economy and Finance	Sale of electricity on the Power Exchange (EMO) Purchase of electricity on the Power Exchange for pumping and plant planning (EMO)
Leonardo Group	Directly controlled by the Ministry for the Economy and Finance	Purchase of IT services and supply of goods

Finally, Enel also maintains relationships with the pension funds FOPEN and FONDENEL, as well as Fondazione Enel and Enel Cuore, an Enel non-profit company devoted to providing social and healthcare assistance.

All transactions with related parties were carried out on normal market terms and conditions, which in some cases are determined by the Authority for Electricity, Gas and the Water System.

The following tables summarize the above relationships and transactions with related parties, with associated companies and companies subject to joint control.

Millions of euro

	Single Buyer	EMO	Cassa Depositi e Prestiti Group	ESO	Other	Key management personnel	Total 1st Quarter of 2017	Associates and joint arrangements	General total 1st Quarter of 2017	Total item	% of total
<b>Income statement</b>											
Revenue from sales and services	-	503	558	126	27	-	1,214	19	1,233	18,819	6.6%
Other revenue	-	-	-	-	2	-	2	2	4	547	0.7%
Financial income	-	-	-	-	-	-	-	2	2	569	0.4%
Electricity, gas and fuel purchases	951	627	315	1	-	-	1,894	109	2,003	9,792	20.5%
Services and other materials	-	28	580	-	49	-	657	23	680	4,263	16.0%
Other operating expenses	1	129	1	-	-	-	131	-	131	781	16.8%
Net income/(expense) from commodity contracts measured at fair value	-	-	5	-	-	-	5	(4)	1	250	0.4%
Financial expense	-	-	-	-	-	-	-	6	6	1,233	0.5%
<b>Balance sheet</b>											
Trade receivables	-	27	416	22	58	-	523	82	605	13,427	4.5%
Other current assets	-	23	12	184	1	-	220	15	235	9,840	2.4%
Other non-current liabilities	-	-	-	-	39	-	39	32	71	4,332	1.6%
Long-term borrowings	-	-	1,072	-	-	-	1,072	-	1,072	40,315	2.7%
Non-current financial liabilities	-	-	2	-	-	-	2	-	2	2,166	0.1%
Current portion of long-term borrowings	-	-	94	-	-	-	94	-	94	7,324	1.3%
Trade payables	548	42	530	1,184	16	-	2,320	138	2,458	12,017	20.5%
Other current liabilities	-	-	5	-	-	-	5	10	15	17,223	0.1%
<b>Other information</b>											
Guarantees given	-	280	294	-	81	-	655	-	655		
Guarantees received	-	-	261	-	48	-	309	-	309		
Commitments	-	-	63	-	8	-	71	-	71		

Millions of euro

	Single Buyer	EMO	Cassa Depositi e Prestiti Group	ESO	Other	Key management personnel	Total 1st Quarter of 2016	Associates and joint arrangements	General total 1st Quarter of 2016	Total item	% of total
<b>Income statement</b>											
Revenue from sales and services	12	291	674	52	40	-	1,069	22	1,091	17,280	6.3%
Other revenue	-	-	-	94	-	-	94	-	94	592	15.9%
Financial income	-	-	-	-	-	-	-	1	1	1,592	0.1%
Electricity, gas and fuel purchases	732	372	253	1	273	-	1,631	34	1,665	8,292	20.1%
Services and other materials	-	16	710	1	9	-	736	23	759	4,064	18.7%
Other operating expenses	1	61	1	-	-	-	63	-	63	639	9.9%
Net income/(expense) from commodity contracts measured at fair value	-	-	(3)	-	-	-	(3)	-	(3)	(80)	3.8%
Other financial expense	-	-	-	-	-	-	-	6	6	2,444	0.2%
<b>Balance sheet</b>											
Trade receivables	8	301	477	27	57	-	870	88	958	13,506	7.1%
Other current assets	-	-	15	101	1	-	117	145	262	10,921	2.4%
Other non-current liabilities	-	-	-	-	6	-	6	17	23	4,388	0.5%
Long-term borrowings	-	-	1,072	-	-	-	1,072	-	1,072	41,336	2.6%
Trade payables	638	372	490	1,239	18	-	2,757	164	2,921	12,688	23.0%
Other current liabilities	-	-	3	-	21	-	24	15	39	18,519	0.2%
Current portion of long-term borrowings	-	-	89	-	-	-	89	-	89	4,384	2.0%
<b>Other information</b>											
Guarantees given	-	280	262	-	80	-	622	-	622		
Guarantees received	-	-	261	-	32	-	293	-	293		
Commitments	-	-	72	-	9	-	81	-	81		

In November 2010, the Board of Directors of Enel SpA approved a procedure governing the approval and execution of transactions with related parties carried out by Enel SpA directly or through subsidiaries. The procedure (available at <http://www.enel.com/en/investors/a201608-transactions-with-related-parties.html>) sets out rules designed to ensure the transparency and procedural and substantive propriety of transactions with related parties. It was adopted in implementation of the provisions of Article 2391-*bis* of the Italian Civil Code and the implementing regulations issued by CONSOB. In the 1st Quarter of 2017, no transactions were carried out for which it was necessary to make the disclosures required in the rules on transactions with related parties adopted with CONSOB Resolution no. 17221 of March 12, 2010, as amended with Resolution no. 17389 of June 23, 2010.

## 8. Contractual commitments and guarantees

The commitments entered into by the Enel Group and the guarantees given to third parties are shown below.

Millions of euro

	at Mar. 31, 2017	at Dec. 31, 2016	Change
<b>Guarantees given:</b>			
- sureties and other guarantees granted to third parties	10,468	8,123	2,345
<b>Commitments to suppliers for:</b>			
- electricity purchases	89,411	63,407	26,004
- fuel purchases	46,715	47,305	(590)
- various supplies	1,246	1,309	(63)
- tenders	1,946	1,846	100
- other	3,309	3,751	(442)
<b>Total</b>	<b>142,627</b>	<b>117,618</b>	<b>25,009</b>
<b>TOTAL</b>	<b>153,095</b>	<b>125,741</b>	<b>27,354</b>

Commitments for electricity amounted to €89,411 million at March 31, 2017, of which €22,351 million refer to the period April 1, 2017-2021, €17,794 million to the period 2022-2026, €15,974 million to the period 2027-2031 and the remaining €33,292 million beyond 2031.

Commitments for the purchase of fuels are determined with reference to the contractual parameters and exchange rates applicable at the end of the period (given that fuel prices vary and are mainly set in foreign currencies). The total at March 31, 2017 was €46,715 million, of which €26,802 million refer to the period April 1, 2017-2021, €11,649 million to the period 2022-2026, €6,963 million to the period 2027-2031 and the remaining €1,301 million beyond 2031.



## 9. Contingent assets and liabilities

Compared with the consolidated financial statements at December 31, 2016, which the reader is invited to consult for more information, the following main changes have occurred in contingent assets and liabilities.

### **Brindisi Sud thermal generation plant - Criminal proceedings against Enel employees**

With regard to the Brindisi Sud thermal generation plant, in March 2017 an appeal was filed against the ruling of October 26, 2016 by a number of private parties acting to recover damages (the excluded farmers), the Province of Brindisi, the two convicted employees of Enel Produzione, and the liable party in civil litigation (Enel Produzione SpA) and the two employees of the company for whom the offense was time-barred.

### **BEG litigation**

#### **Proceedings undertaken by Albania BEG Ambient Shpk to obtain enforcement of the ruling of the District Court of Tirana of March 24, 2009**

##### **The Netherlands**

With regard to the trial ruling, on June 29, 2016, Enel and Enelpower appealed the sentence issued by the Court of Amsterdam on that date. The appeal has full de novo effect. The Court of Appeal of Amsterdam will re-examine the entire subject of the dispute. Accordingly, Enel and Enelpower will be able to present their defense in its entirety. On September 27, 2016, Albania BEG Ambient Shpk also appealed the court's ruling of June 29, 2016, to request the reversal of its partial loss on the merits. On April 11 2017, the Court of Appeal of Amsterdam granted the request of Enel and Enelpower to join the two appeal proceedings currently pending at the preliminary stage.

##### **Ireland**

In Ireland, the Supreme Court issued a ruling on March 8, 2016 upholding the defense of Enel and Enelpower, finding that the country had no jurisdiction. On March 23, 2017, Enel and Enelpower were notified of the approval of the ruling by the Court, following which on March 31, 2017, Albania BEG Ambient Shpk filed a request for an expedited appeal against the ruling of March 8, 2016 finding that the Irish courts had no jurisdiction. Enel and Enelpower filed opposing briefs on April 7, 2017, and the parties are waiting for a hearing to be set.

### **Violations of Legislative Decree 231/2001**

On March 29, 2017, the trial court issued a ruling acquitting e-distribuzione SpA "for not having committed the act" in respect of alleged violations of Legislative Decree 231/2001 concerning the administrative liability of legal persons. The proceeding had been brought for alleged omission of accident prevention measures regarding a fatal accident involving an employee of a subcontractor in Palermo in 2008, for which e-distribuzione SpA had been charged with administrative liability for manslaughter.

## 10. Events after the reporting period

### Power supply agreement in Zambia

On April 4, 2017, Enel Green Power signed a 25-year power purchase agreement with Zambia's state-owned utility ZESCO for the 34 MW Ngonye1 photovoltaic project won in June 2016 following the first tender of the Scaling Solar program, which was launched by state-owned investment holding company Industrial Development Corporation Limited ("IDC"). Ngonye is located in the Lusaka South Multi-Facility Economic Zone in southern Zambia. The award of the plant to Enel marked the Group's entry into the renewables market in Zambia. Enel will invest about \$40 million in the construction of the new photovoltaic plant, which is expected to generate around 70 GWh per year. Ngonye will be owned by a special purpose vehicle in which Enel Green Power will hold 80% and IDC will have a 20% minority stake.

### Acquisition of a photovoltaic project in Australia

On April 10, 2017, Enel, acting through a joint venture between the subsidiary Enel Green Power and Dutch Infrastructure Fund ("DIF"), closed an agreement to acquire Bungala Solar One, the first 137.5 MW phase of the 275 MW Bungala Solar photovoltaic project, which is currently the largest ready-to-build solar PV project in Australia, from an Australian developer.

The acquisition of Bungala Solar Two, the second phase of the project, is expected to close in the 3rd Quarter of 2017. The Bungala Solar project is located near Port Augusta in South Australia. The joint venture's total investment in the 275 MW project is around \$315 million, including project construction, with Enel contributing around \$157 million. The total investment will be financed through a mix of equity and project finance with a consortium of local and international banks. The project already holds a long-term power purchase agreement with Origin Energy, a major Australian utility. Construction at Bungala Solar One is expected to begin by mid-2017, followed by Bungala Solar Two, whose construction will start by the end of this year. The overall 275 MW project will be fully operational by the 3rd Quarter of 2018.

### Acquisition of an additional stake in E-Distributie Muntenia and Enel Energie Muntenia

On April 10, 2017, Enel Investment Holding ("EIH") finalized the acquisition from SAPE, the Romanian state-owned holding company that owns state shareholdings, of around 13.6% of E-Distributie Muntenia and Enel Energie Muntenia for a total of about €400 million. Following the transaction, EIH has increased its interest in the two companies to about 78%, from the 64.4% held previously. The acquisition is a consequence of SAPE exercising a put option in November 2012, for which SAPE had asked for a price of about €520 million, an amount which was contested by EIH. After failing to reach an agreement on the price for the equity interests, in 2014 SAPE began an arbitration proceeding before the International Chamber of Commerce in Paris, in which it lodged a claim for the above price and about €60 million in interest. In its ruling of February 3, 2017, the Arbitral Tribunal set the purchase price for the equity interests involved in the put option at about €400 million, reducing the amount requested by SAPE by more than €100 million and dismissing the request for interest.

### Board resolution on bond issues

On April 12, 2017, the Board of Directors of Enel authorized the issue by December 31, 2018 of one or more bonds to be placed with institutional investors up to a maximum value of €7 billion as part of the strategy to refinance the Group's maturing consolidated debt. The issues may be carried out by the Dutch subsidiary Enel Finance International NV (backed by a Parent Company guarantee) or directly by Enel depending on the existing market opportunities. The Board also charged the Chief Executive Officer with establishing the amounts, currencies, timing and characteristics of the individual issues, taking account of

developments in market conditions, with the power to apply for a listing of the issues on one or more regulated markets in the European Union or on multilateral trading facilities. With a view to increasing diversification, the issues may be offered to institutional investors within or outside the European Union, including through private placements.

### **E-Solutions Global Business Line**

On April 28, 2017, a new Global Business Line, called “E-Solutions”, was introduced. It is intended to foster greater customer focus and digitization as accelerators of value within the 2017-2019 Strategic Plan. The new business line will focus on advanced digital solutions in areas such as energy efficiency, “smart alerts”, optical fiber, illumination, mini-grid products, distributed generation, demand response services, electric vehicles, charging facilities, integrated mobility, smart applications, services for the home and families and financial services.

From conception to technological development, testing and marketing, sales and after-sales activities, Global E-Solutions will manage a broad portfolio over the entire life cycle, deploying its expertise and best practices to conduct targeted scouting to find new technologies and develop business models and new revenue streams to enter new fields.

## **Declaration of the officer responsible for the preparation of the Company financial reports pursuant to the provisions of Article 154-*bis*, paragraph 2 of Legislative Decree 58/1998**

The officer responsible for the preparation of the Company's financial reports, Alberto De Paoli, hereby certifies, pursuant to Article 154-*bis*, paragraph 2, of the Consolidated Law on Financial Intermediation, that the accounting information contained in the Interim Financial Report at March 31, 2017 corresponds with that contained in the accounting documentation, books and records.

*Disclaimer*

This Report issued in Italian  
has been translated into  
English solely for the convenience  
of international readers

**Enel**  
Società per azioni  
Registered office in Rome, Italy  
Viale Regina Margherita, 137

# **Enel S.p.A.**

**Condensed consolidated quarterly financial statements  
as of March 31, 2017**

**Review report on the condensed consolidated quarterly  
financial statements**

*(Translation from the original Italian text)*

## **Review report on the condensed consolidated quarterly financial statements**

*(Translation from the original Italian text)*

To the Board of Directors of  
Enel S.p.A.

### **Introduction**

We have reviewed the condensed consolidated quarterly financial statements, comprising the condensed balance sheet as of March 31, 2017, the condensed income statement, the statement of comprehensive income, the statement of changes in shareholders' equity and the condensed statement of cash flows for the three month period then ended and the related notes to the condensed consolidated quarterly financial statements of Enel S.p.A. and its subsidiaries ("Enel Group"). The Directors of Enel S.p.A. are responsible for the preparation of the condensed consolidated quarterly financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated quarterly financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with *International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of condensed consolidated quarterly financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated quarterly financial statements.

### **Conclusions**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated quarterly financial statements of the Enel Group as of March 31, 2017 and for the three month period then ended are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

### **Other matters**

The condensed consolidated quarterly financial statements of Enel Group as of March 31, 2016 and for the three months period then ended have been neither audited nor reviewed.

Rome, May 12, 2017

EY S.p.A.

Signed by: Massimo Antonelli, Partner

***This report has been translated into the English language solely for the convenience of international readers***

EY S.p.A.  
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## **ISSUER**

### **Enel Finance International N.V.**

Herengracht 471  
1017 BS Amsterdam  
The Netherlands

## **GUARANTOR**

### **Enel - Società per azioni**

Viale Regina Margherita 137  
00198 Rome  
Italy

## **LEGAL ADVISERS TO THE ISSUER**

*as to United States and English law*

### **Sullivan & Cromwell LLP**

1 New Fetter Lane  
London EC4A 1AN  
United Kingdom

*as to Italian law*

### **Chiomenti Studio Legale**

Via XXIV Maggio 43  
00187 Rome  
Italy

*as to Dutch law*

### **De Brauw Blackstone Westbroek N.V.**

125 Old Broad Street  
London EC2N 1AR  
United Kingdom

## **LEGAL ADVISERS TO THE INITIAL PURCHASERS**

*as to United States, English and Italian law*

### **Latham & Watkins (London) LLP**

99 Bishopsgate  
London EC2M 3XF  
United Kingdom

## **INDEPENDENT AUDITORS to Enel S.p.A.**

### **EY S.p.A.**

Via Po, 32  
00198 Rome  
Italy

## **PRINCIPAL PAYING AGENT, TRANSFER AGENT**

### **The Bank of New York Mellon, London Branch**

One Canada Square  
London  
E14 5AL  
United Kingdom

## **REGISTRAR**

### **The Bank of New York Mellon SA/NV, Luxembourg Branch**

Vertigo Building – Polaris  
2-4 rue Eugène Ruppert  
L-2453 Luxembourg